

QUALITY[®]
made by **AAREAL**

Fixed Income Presentation

Q1 Results 2019

Aareal Bank AG, Wiesbaden
May 09, 2019

Aareal

Agenda

- Introduction of Aareal Bank
- Highlights
- Segment Performance
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- Capital, Funding & B/S structure
- Asset quality
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 - Strategic outlook
 - Dividend policy
 - SREP
 - AT1: ADI's
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Introduction of Aareal Bank

Aareal

Aareal Bank Group

Key messages

- Aareal is a leading finance and service provider to international property markets offering tailor-made products to a stable customer base within its two pillar business model focusing on
 - Structured Property Financing (SPF):
Aareal provides low-risk commercial real estate financing solutions focusing on different property types in Europe, North-America and Asia/Pacific
 - Consulting/Services (C/S):
Within the C/S segment Aareal is #1 provider of ERP solutions to the German and European institutional housing industry and additionally offering transaction banking services to the German housing market and related industries
- Aareal's balance sheet has a sound structure with a high quality and a well diversified credit portfolio, a stable deposit base and a sustainable long-term refinancing mix as well as a solid capital base
- Aareal is an independent publicly listed (MDAX) mid-sized company with high flexibility and adaptability
- The Aareal business model provides stable revenues and a risk management with a positive track record even under in an adverse market environment

Aareal Bank Group

One Bank – two segments

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Structured Property Financing

International presence and business activities on three continents: Europe, North America, Asia / Pacific

Providing commercial real estate financing solutions in more than 20 countries and different property types (hotel, logistic, office, retail, residential, student housing)

Additional industry experts in hotels, logistics and retail properties

Total real estate finance portfolio¹⁾: ~ € 27 bn

Consulting / Services for the property industry

Market-leading IT systems for the management of residential and commercial properties in Europe

Integrated payment transaction system for the housing industry (market-leading) and the utility sector

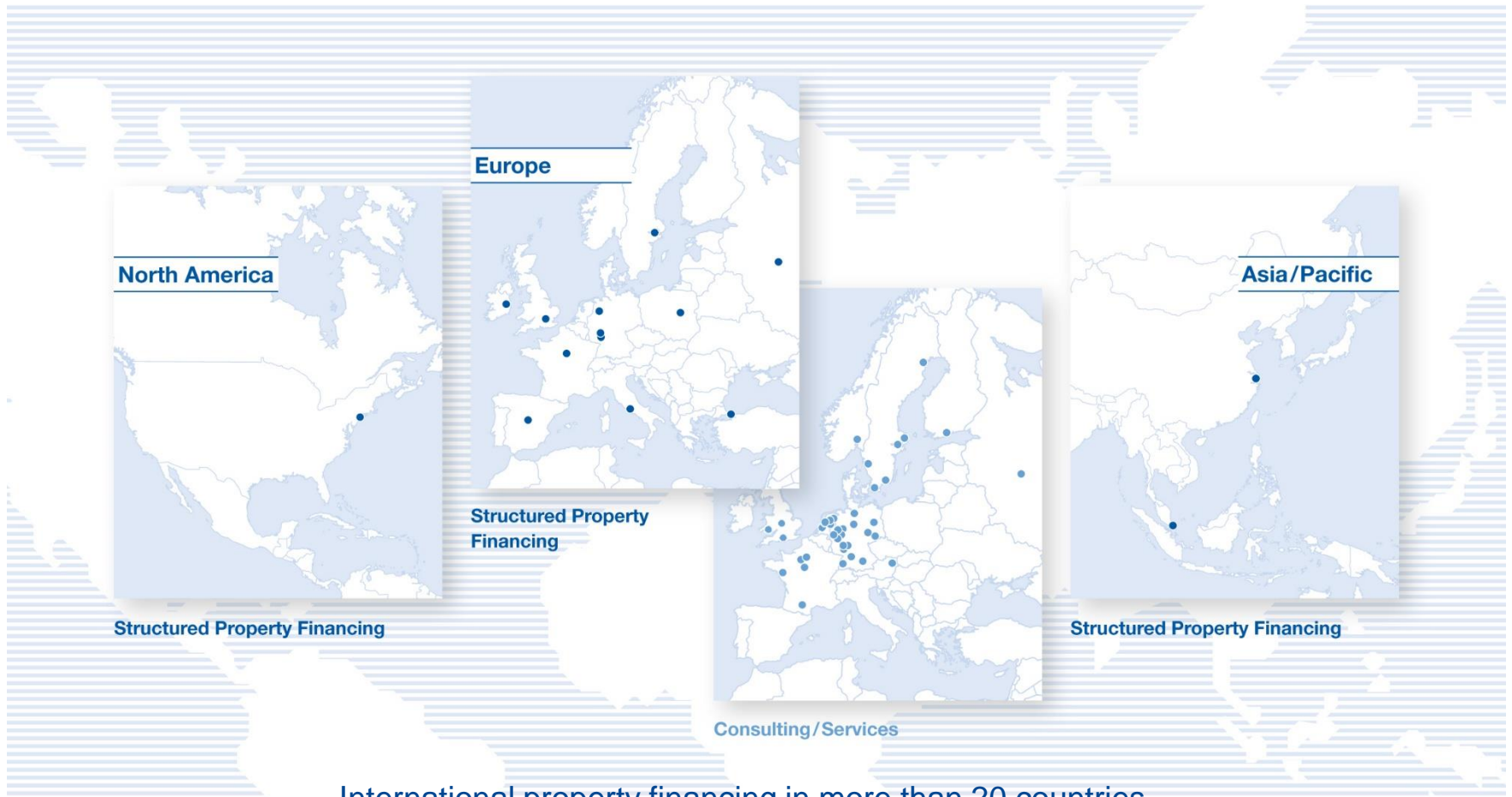
More than 10 mn units under management in Europe, thereof ~ 6 mn in the key market Germany

International presence:
France, the Netherlands, the UK and Scandinavia

1) REF-portfolio incl. private client business (€ 0.5 bn) and WIB's public sector loans (€ 0.4 bn)

Aareal Bank Group

One Bank – two segments – three continents



International property financing in more than 20 countries –
Europe, North America and Asia / Pacific

Structured Property Finance

Specialist for specialists

Aareal Bank Group Structured Property Finance

- Cash-flow driven collateralised business
 - Focus on senior lending
 - Based on first-ranking mortgage loans
- Typical products, e.g.:
 - Single asset investment finance
 - Portfolio finance (local or cross-border /-currency)
 - Value add-finance
- In-depth know-how in local markets and special properties
 - Local expertise at our locations
 - Additional industry expertise (head offices)
- International experience with employees from more than 30 nations



Consulting / Services

High customer overlap with substantial cross-selling effects

Aareal Bank Group Consulting / Services

Aareon Group: IT Services

- Market-leading European IT-system house for the (ERP based) management of residential and commercial property portfolios
- ~ 60% market share in German key market with ~6 mn units under management
- Comprehensive range of integrated services and consulting

Aareal Bank: Transaction banking

- Market-leading integrated payment transaction systems for the housing industry
- Key clients: large size property owners / managers and utility companies
- ~100 mn transactions p.a. (volume: ~€ 50 bn)
- Ø deposit volume of € 10.6 bn in Q1 2019

Strategic Management of residential portfolios

- Planning, Controlling, Steering
- Portfolio Management

Administrative Management of residential portfolios

- Tenant Management
- Flat Management
- Maintenance
- Accounting



- Refurbishments
- New Developments

Construction Management of residential portfolios

- Mass payments
- Cash Management
- Creditor and Debtor Management

Financial Management of residential portfolios

Aareal's ownership structure

100% Free Float

Aareal Bank AG

- Listed in the German MDAX
- 59,857,221 outstanding shares
- 100% free float
- Approximately 2,800 employees
- Balance Sheet: 42.7 bn €
- Flat hierarchies

Stock performance since 01. Jan 2006



Aareal Bank Ratings



Issuer Default Rating	A-
Short-term	F2
Deposit Rating	A
Senior Preferred	A
Senior non Preferred	A-
Viability Rating	bbb+
Subordinated Debt	BBB
Additional Tier 1	BB-



Issuer Rating	A3
Short-term Issuer Rating	P-2
Bank Deposit Rating	A3
Senior Preferred *	A3
Senior non Preferred **	Baa1
Baseline Credit Assessment	baa3
Mortgage Pfandbriefe	Aaa

* "Senior Unsecured" according Moody's terminology

** "Junior Senior Unsecured" according Moody's terminology



Highlights

Aareal

Highlights

Good start in 2019

Highlights

- ➔ Q1 operating profit of € 61 mn (Q1/2018: € 67 mn) in line with expectations
- ➔
 - Strong new business margins in the structured property financing segment
 - Aareon's sales revenues further increased
- ➔ Integration of DHB as planned; ~2/3 of the expected integration costs already booked in Q1
- ➔ Targets 2019 confirmed

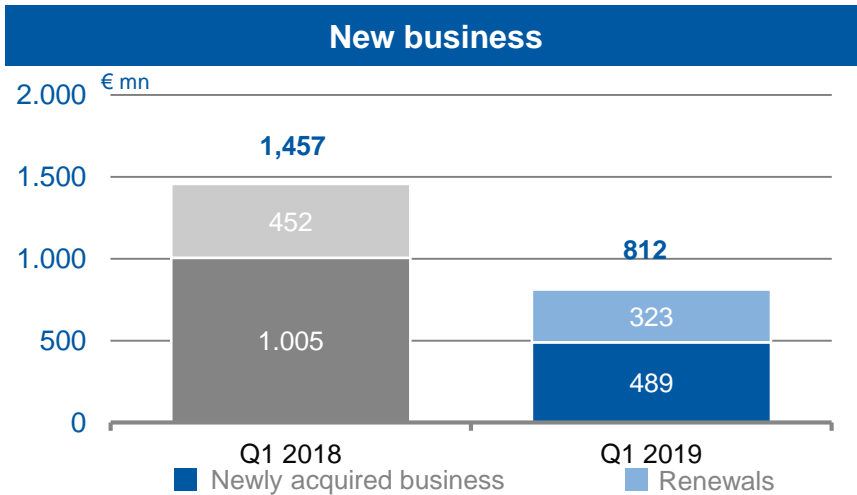


Segment performance

Aareal

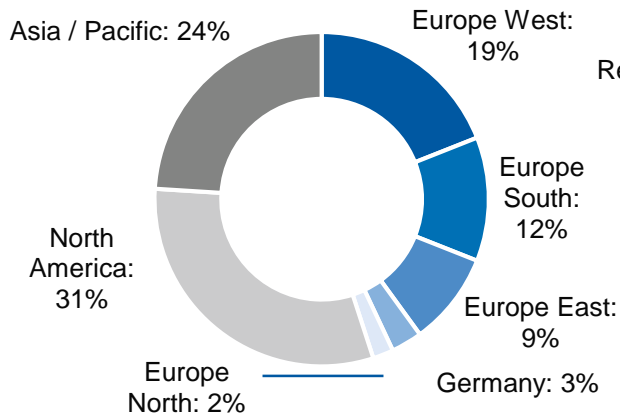
Structured Property Financing

New business focused on very attractive risk-return

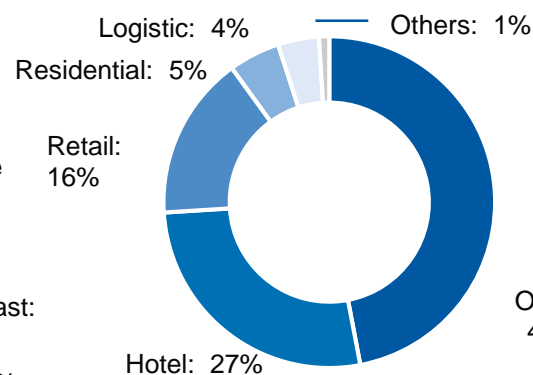


- New business focused on very attractive risk-return while maintaining portfolio size stable
- Newly acquired business:
 - Pre-FX margins above 250 bps (Q1 2018: ~250 bps)
 - Margins pushed by high US and Asia/Pacific share
 - Confirming FY-margins target of 180-190 bps and FY-new business target of € 7 bn - € 8 bn
- REF portfolio¹⁾ stable at € 27.3 bn in line with FY- targeted level of € 26-28 bn

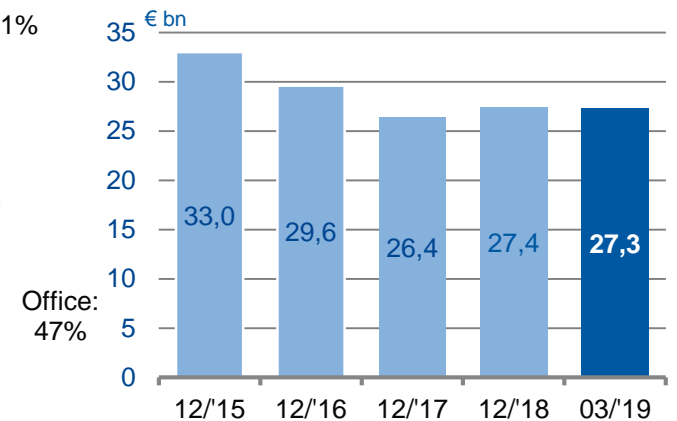
New business by region Q1 2019



New business by property type Q1 2019



REF¹⁾ portfolio development

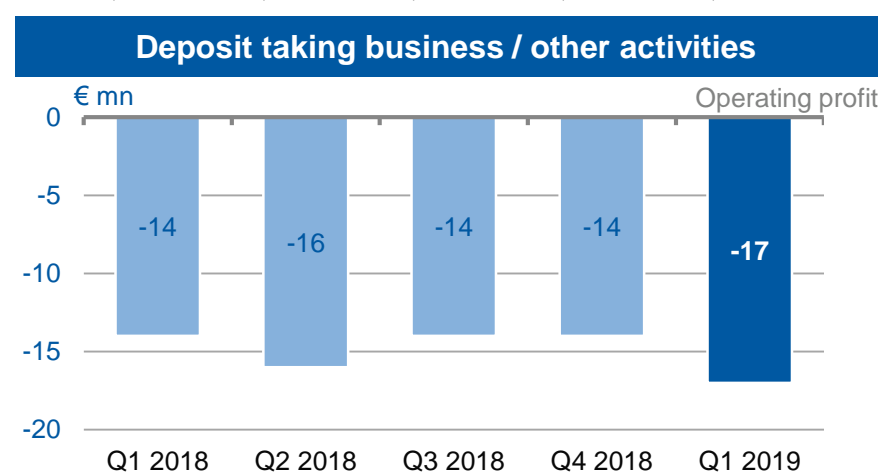
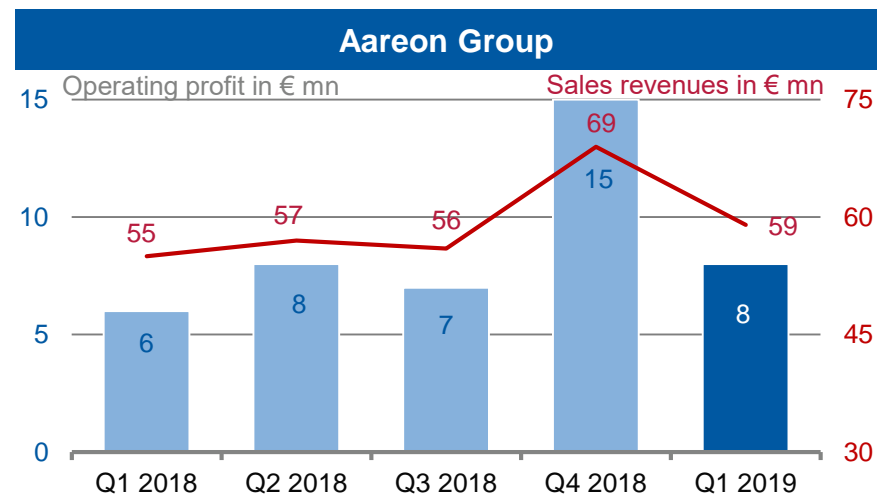


1) incl. private client business (€ 0.5 bn) and WIB's public sector loans (€ 0.4 bn)

Consulting / Services

Aareon's sales revenues further increased

P&L C/S Segment	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19
€ mn					
Net interest income	-3	-3	-3	-3	-3
Loss allowance	0	0	0	-1	0
▪ <i>Thereof Aareon</i>	0	0	0	-1	0
Net commission income	50	49	51	62	52
▪ <i>Thereof Aareon</i>	46	47	47	57	49
– Sales revenues	55	57	56	69	59
– Material costs	9	10	9	12	10
Admin expenses	55	55	56	61	58
▪ <i>Thereof Aareon</i>	40	41	41	43	41
Net other op. income	0	1	1	2	0
▪ <i>Thereof Aareon</i>	1	1	1	0	0
Operating profit	-8	-8	-7	1	-9
▪ <i>Thereof Aareon</i>	6	8	7	15	8



- **Aareon**
 - Sales revenue 7% up to € 59 mn (Q1 2018: € 55 mn)
 - Stronger sales revenue resulting from growth in all product lines, digital with highest rates (~ 25% yoy)
 - € 8 mn EBT within targeted range, EBT margin ~14%
- **Deposits**
 - Volume remains on high level of Ø € 10.6 bn
 - Focusing on further shift into sustainable deposits
 - Deposit Protection Guarantee Schemes (ESF) fully booked in Q1 while accrued in 2018 (segment view)



Group results Q1 2019

Aareal

Group results Q1 2019

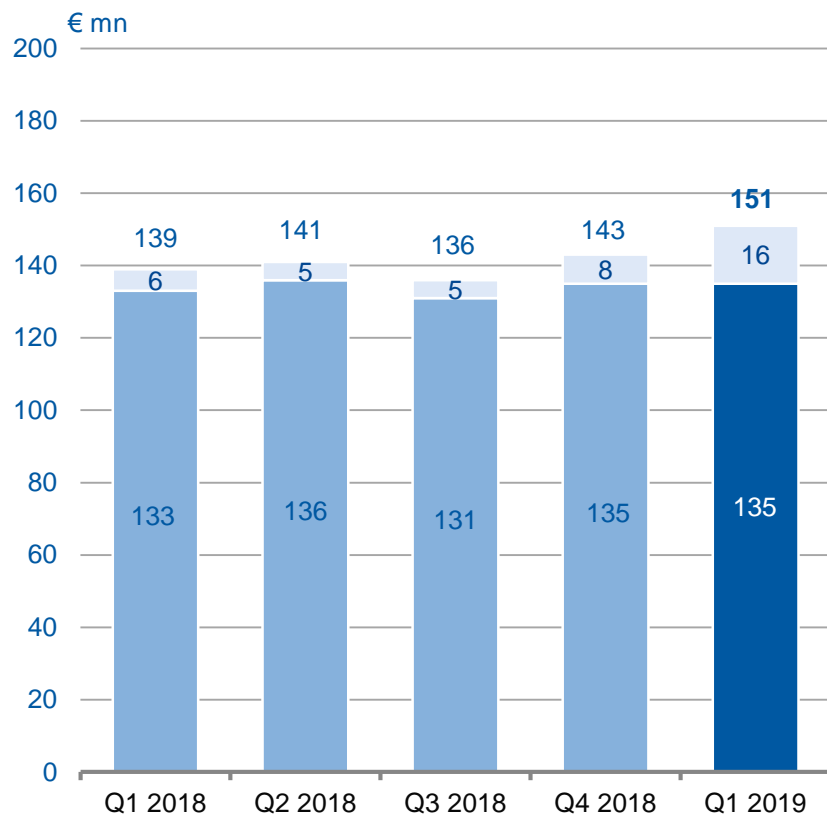
Good start in 2019: results in line with expectations

€ mn	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Comments
Net interest income	133	136	131	135	135	Reflecting stable portfolio, slightly up y-o-y
Derecognition result	6	5	5	8	16	€ 12 mn effect from treasury portfolio adjustments
Loss allowance	0	19	14	39	5	Within expected range, Q1 regularly below average due to seasonal effects
Net commission income	50	51	51	63	53	Aareon's sales revenues further increased
FV- / hedge-result	1	-5	1	-1	6	
Admin expenses	128	109	107	118	144	Incl. DHB integration, ESF, European banking levy
Negative goodwill				55		
<i>Others</i>	5	3	3	14	0	
Operating profit	67	62	70	117	61	In line with expectations
Income taxes	23	21	24	22	21	FY 2019 tax ratio of ~34% assumed
Minorities / AT1	5	4	5	4	5	
Consolidated net income allocated to ord. shareholders	39	37	41	91	35	
Earnings per share [€]	0.65	0.62	0.70	1.51	0.59	

Net interest income / Derecognition result (DR)

NII reflecting stable portfolio size, slightly up y-o-y

DR significantly pushed by treasury portfolio adjustments

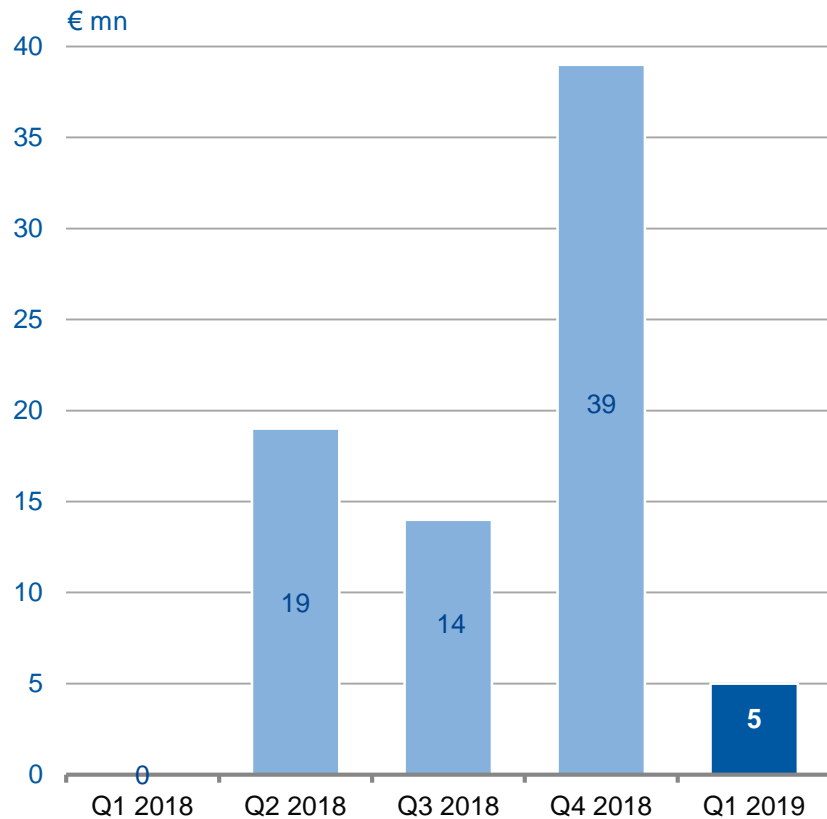


- Newly acquired business margins of > 250 bps in Q1 2019 pushed by high US and Asia / Pacific share
- Derecognition result:
 - € 4 mn effects from early repayments
 - € 12 mn from treasury portfolio adjustments

■ Net interest income
■ Derecognition result

Loss allowance (LLP)

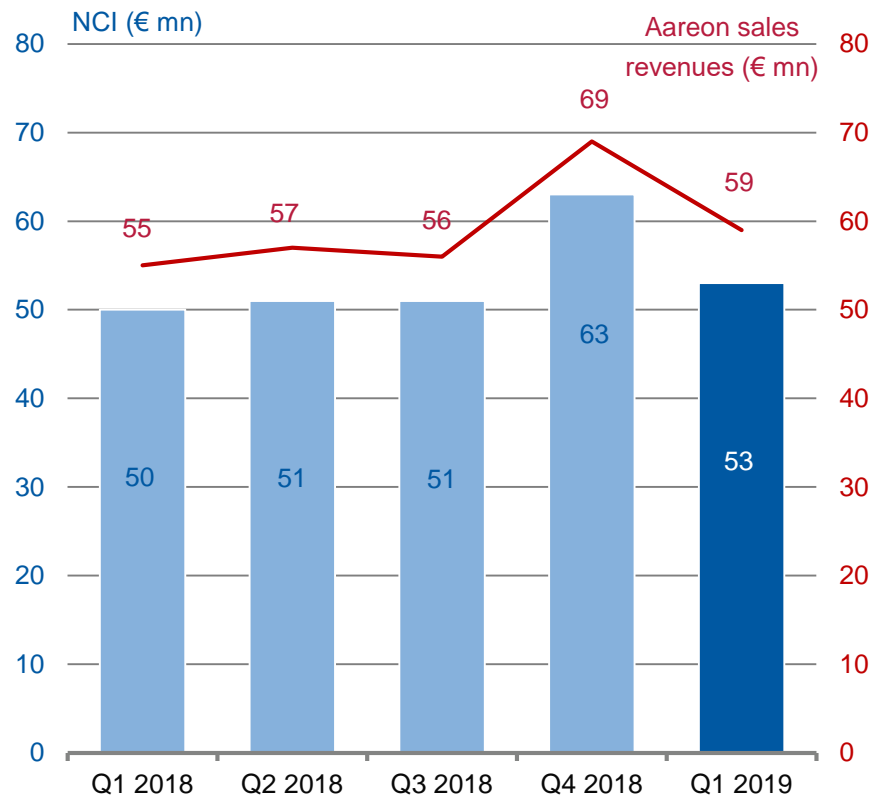
Within expected range



- Q1 regularly below average due to seasonal effects
- In line with FY guidance, however remaining volatile throughout the year

Net commission income

Aareon's sales revenues further increased

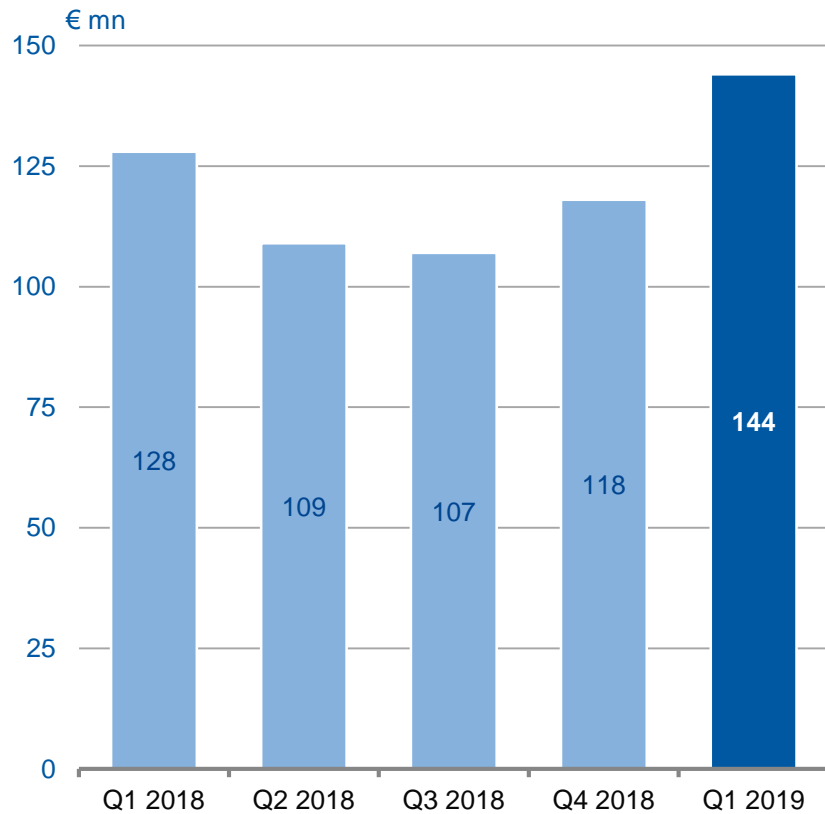


Aareon

- Sales revenues of € 59 mn (Q1 2018: € 55 mn)
- Digital products with highest growth rates
- Q4 regularly includes positive seasonal effects

Admin expenses

Approx. 2/3 of expected DHB integration costs already booked in Q1



- € 9 mn costs from DHB integration (incl. European bank levy and ESF)
- € 21 mn for the European bank levy and ESF (fully expensed in Q1, Q1/18: € 20 mn)
- € 4 mn transformation costs (FY 2019 plan: € 20 mn)
- Q1/18 incl. reversals of provisions (€ 3 mn)



Capital, Funding & B/S structure

Funding

Favourable market environment used for strong funding activities

Capital markets refinancing activities 2019



Aareal Bank Group

0.125% EUR 750.000.000
Hypothekendarlehen

5 Jahre
Fälligkeit 01.02.2024
ISIN: DE000AAR0249

Lead Manager
Commerzbank, Deka Bank,
DZ Bank, Natixis, UniCredit

Januar 2019



Aareal Bank Group

0.125% EUR 250.000.000
Aufstockung auf € 750 Mio.
Hypothekendarlehen

4 Jahre
Fälligkeit 01.02.2023
ISIN: DE000AAR0231

Lead Manager
BayernLB, Commerzbank, Deka
Bank, DZ Bank, HSBC, LBBW

März 2019




Aareal Bank Group

2.625% USD 600.000.000
Hypothekendarlehen

2 Jahre
Fälligkeit 15.07.2021
ISIN: XS1983343838

Lead Manager
Citigroup, Goldman Sachs,
HSBC, NatWest Markets

April 2019



Aareal Bank Group

0.375% EUR 400.000.000
Senior Preferred

5 Jahre
Fälligkeit 10.04.2024
ISIN: DE000A2E4CQ2

Lead Manager
Commerzbank, Deka Bank,
DZ Bank, Nomura

April 2019

Capital markets refinancing activities 2018




Aareal Bank Group

0.125%
EUR 500.000.000
Hypothekendarlehen

4 Jahre
Maturity 01.02.2023
ISIN: DE000AAR0231

Lead Manager
BayernLB, Commerzbank, DZ
Bank, HSBC, UniCredit

November 2018



Aareal Bank Group

1.500%
GBP 250.000.000
Hypothekendarlehen

4 Jahre
Maturity 16.06.2022
ISIN: XS1883300292

Lead Manager
Goldman Sachs, HSBC,
Nomura

September 2018




Aareal Bank Group

0.125%
EUR 500.000.000
Hypothekendarlehen

5 Jahre
Maturity 31.07.2023
ISIN: DE000AAR0223

Lead Manager
DekaBank, Deutsche Bank,
GS, HSBC, UniCredit

September 2018




Aareal Bank Group

0.375%
EUR 500.000.000
Hypothekendarlehen

7 Jahre
Maturity 15.07.2025
ISIN: DE000AAR0215

Lead Manager
DZ Bank, LBBW, Natixis,
NordLB, Societe Generale

August 2018



Aareal Bank Group

0.375%
EUR 500.000.000
Hypothekendarlehen

6 Jahre
Maturity 30.07.2024
ISIN: DE000AAR0207

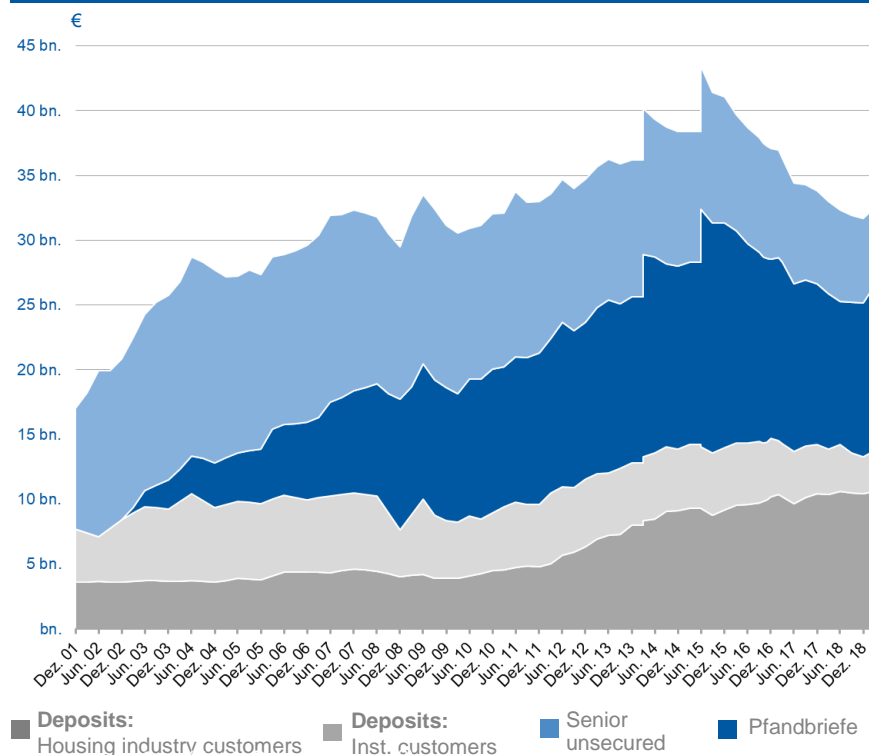
Lead Manager
BayernLB, BNP, DekaBank,
Commerzbank, UniCredit

March 2018

Funding

Diversified funding position

Diversified funding sources and distribution channels



Actual positioning Q1 2019

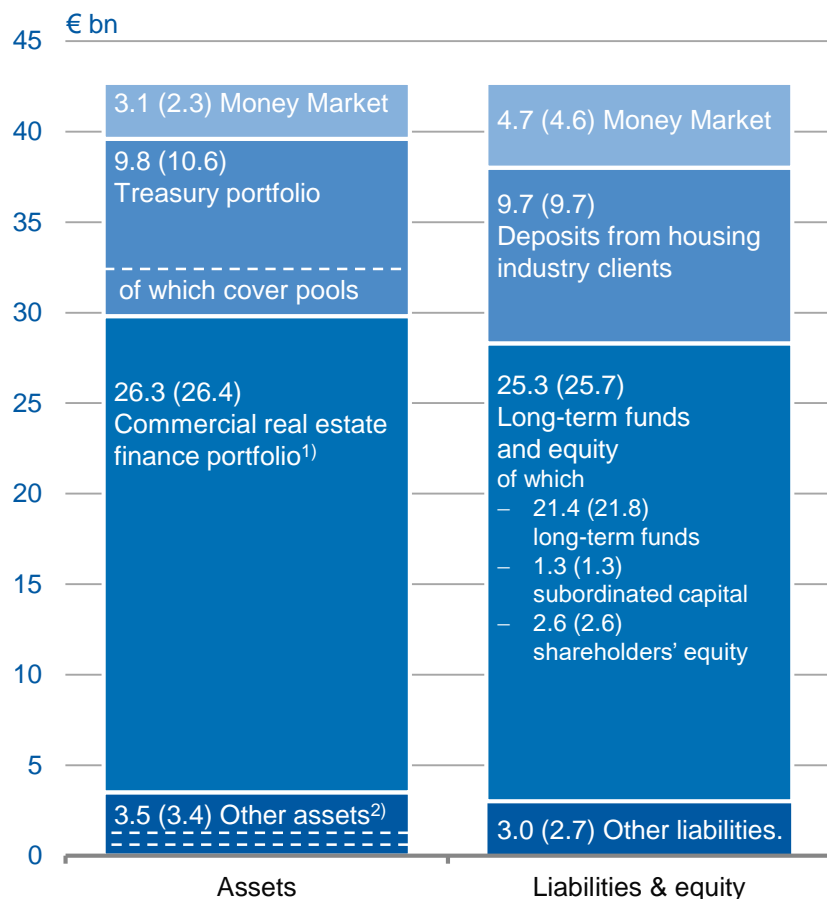
- Sustainable and strong deposit base counts for more than 40% of the well diversified funding mix
- Successful Pfandbrief issuances in Q1:
 - EUR 750 mn Pfandbrief, 5 years
 - EUR 250 mn Pfandbrief Tap, 4 years
- Senior unsecured funding based on well established private placement business:
 - EUR 100 mn Senior Unsecured
- MREL is not a limiting factor due to large amount of outstanding long term senior funding
- NSFR/ LCR well above 100% due to comfortable liquidity position



Strong investor demand for fixed income products result in high issuance activities and decreasing funding spreads for Pfandbriefe and senior unsecured transactions

B/S structure according to IFRS

As at 31.03.2019: € 42.7 bn (31.12.2018: € 42.7 bn)



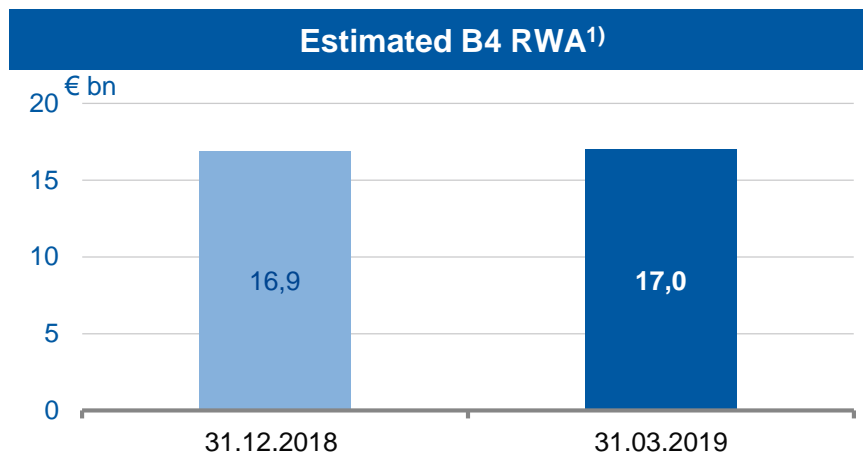
- Stable CREF-portfolio
- Treasury portfolio reduction by active de-risking

1) CREF-portfolio only, private client business (€ 0.5 bn) and WIB's public sector loans (€ 0.4 bn) not included

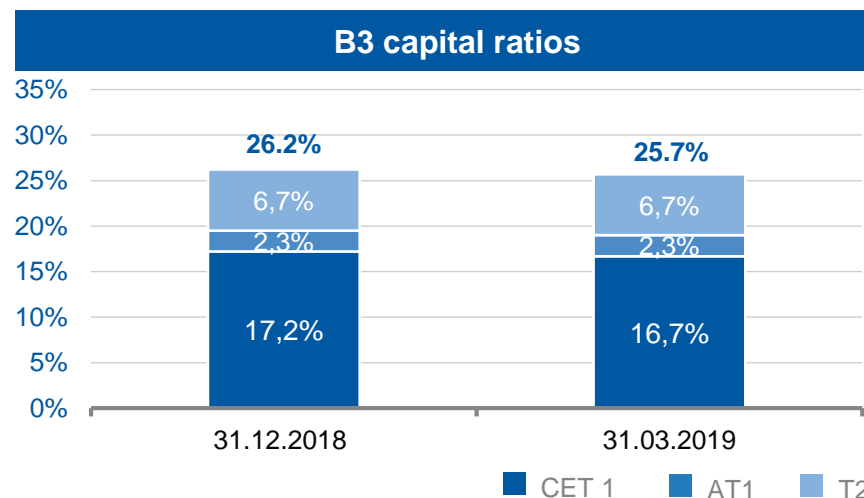
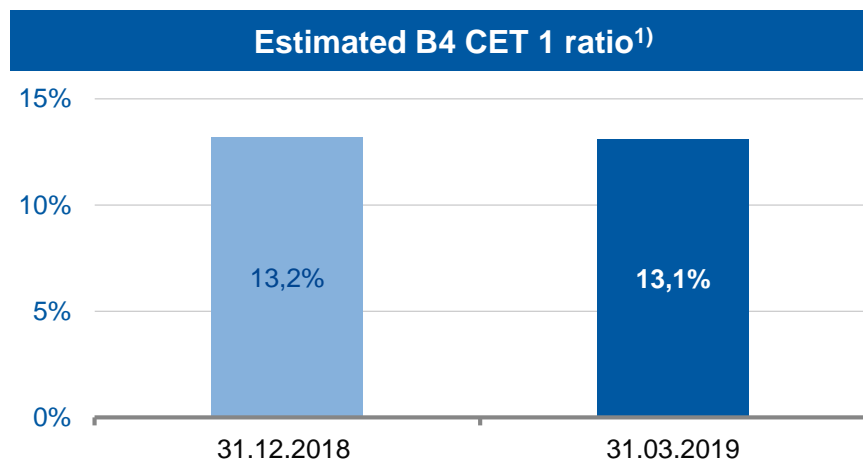
2) Other assets includes € 0.5 bn private client portfolio and WIB's € 0.4 bn public sector loans

Capital

Strong capital ratios already incl. TRIM effects



- Fulfilling Basel IV from day 1
- Capital ratios since 12/2018 incl. relevant TRIM effects and prudential provisioning²⁾
- Remaining regulatory uncertainties well buffered (e.g. Hard test, CRR II, further implementation of countercyclical buffer)
- B4 target ratio of 12.5%
- B3 capital ratios significantly above SREP requirements
- T1-Leverage ratio: 6.0%



1) Underlying RWA estimate, given a 72.5 % output floor based on the final Basel Committee framework dated 7 December 2017, calculation subject to outstanding EU implementation as well as the implementation of further regulatory requirements
 2) Expected relevant TRIM effects on CREF portfolio and SREP recommendations with respect to NPL guidelines (NPL stock) from ECB



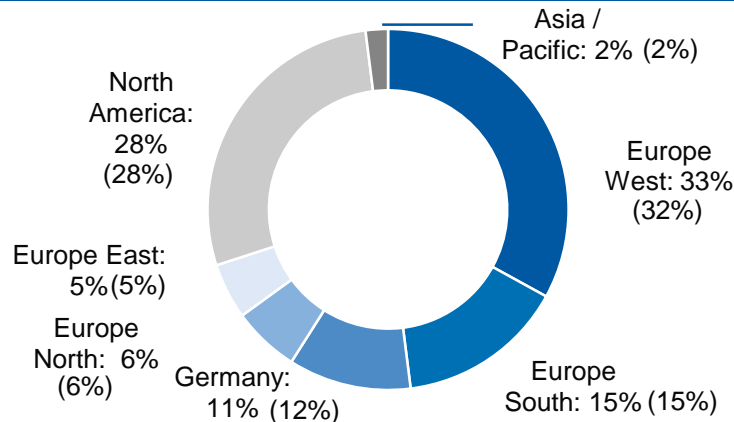
Asset quality

Aareal

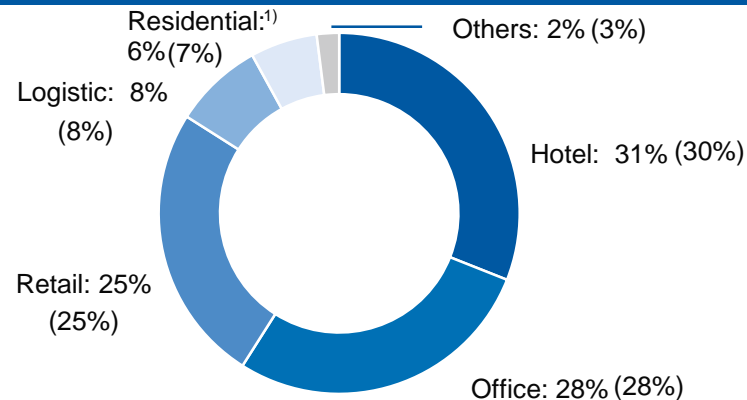
Commercial real estate finance portfolio (CREF)

€ 26.3 bn highly diversified and sound

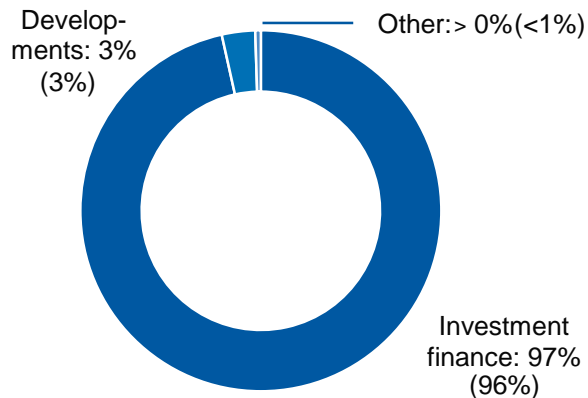
Portfolio by region Q1 2019 (vs. Q4 2018)



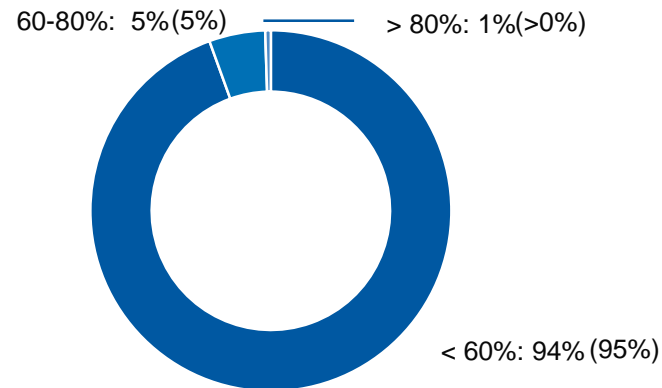
Portfolio by property type Q1 2019 (vs. Q4 2018)



Portfolio by product type Q1 2019 (vs. Q4 2018)



Portfolio by LTV ranges²⁾ Q1 2019 (vs. Q4 2018)



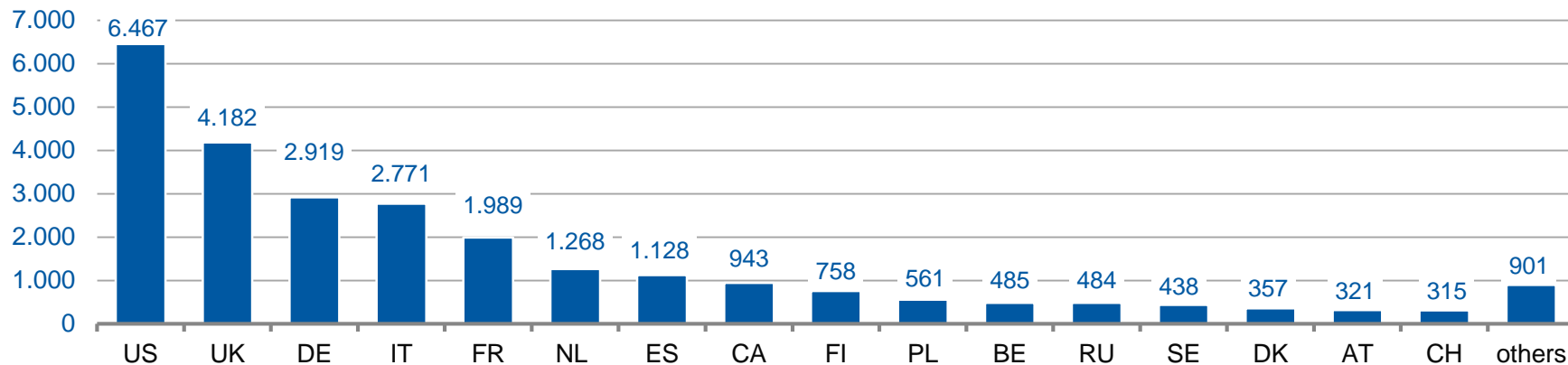
1) Incl. Student housing (UK & Australia only)

2) Performing CREF-portfolio only, exposure as at 31.03.2019

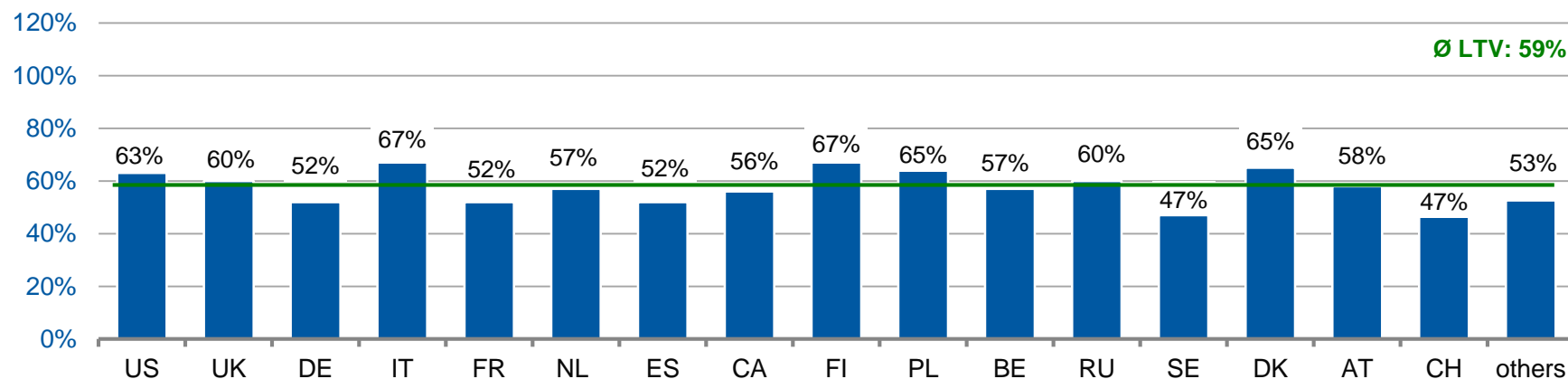
Commercial real estate finance portfolio (CREF)

Portfolio details by country

Total commercial real estate finance portfolio (€ mn)



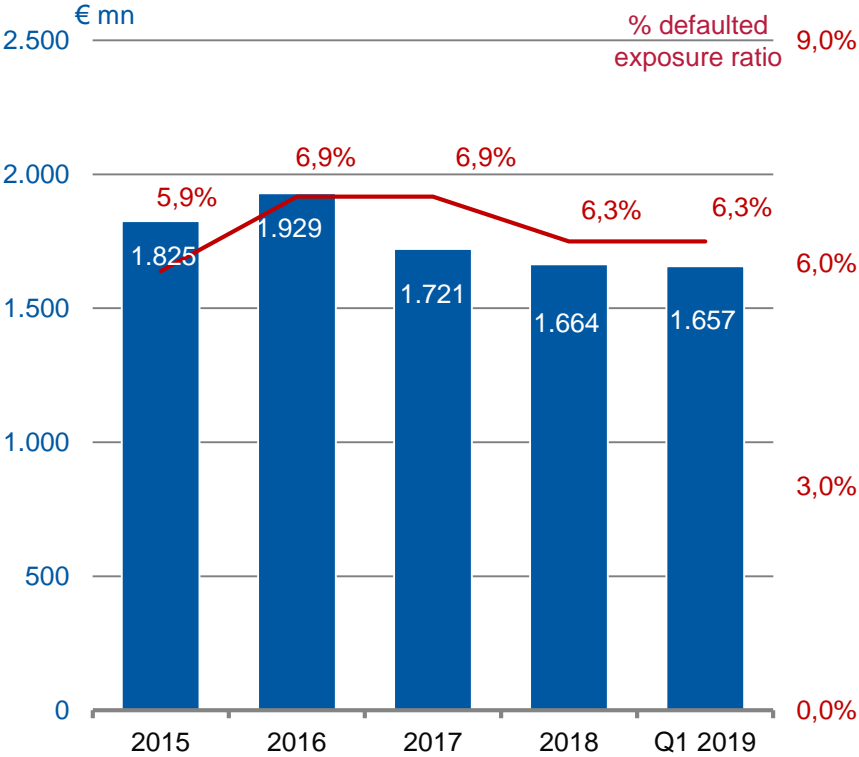
LTV¹⁾



1) Performing CREF-portfolio only, exposure as at 31.03.2019

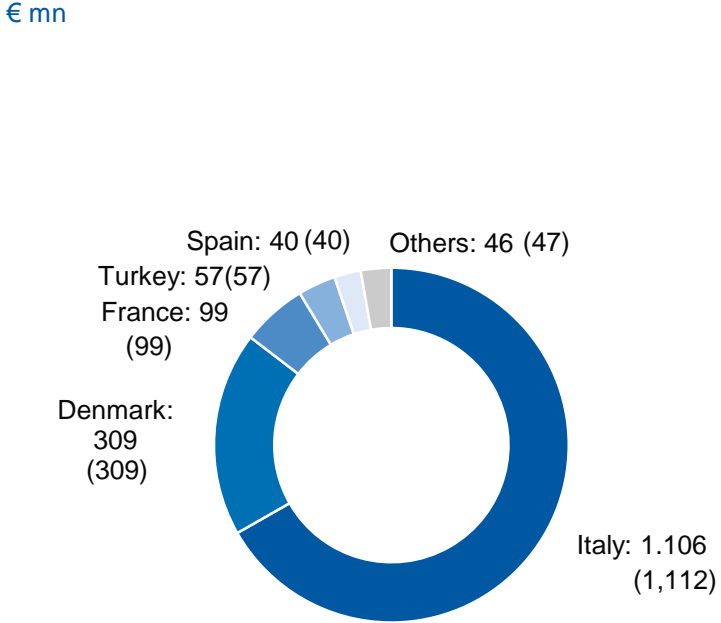
Defaulted exposure

Development of defaulted exposure



— Defaulted exposure / Total CREF portfolio
 ■ Defaulted exposure

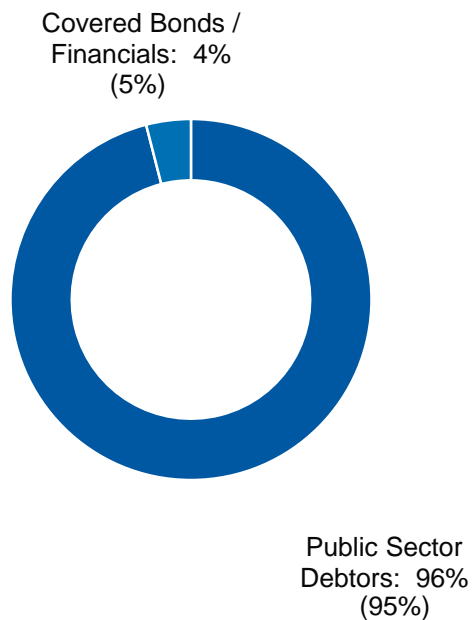
Defaulted exposure by country Q1 2019 (vs. Q4 2018)



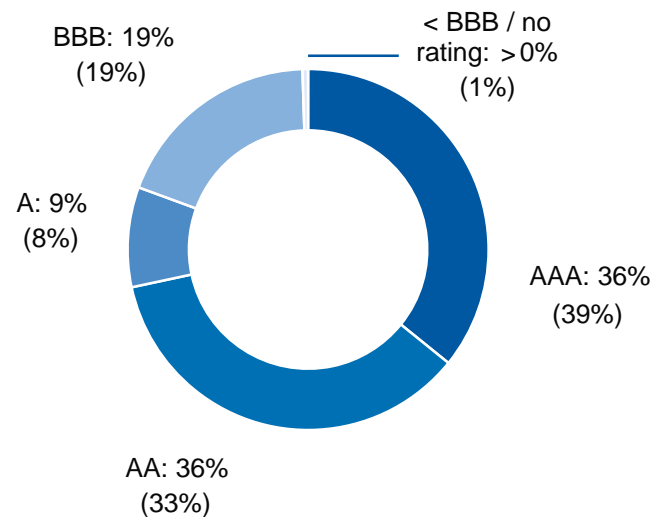
Treasury portfolio

€ 8.0 bn of high quality and highly liquid assets

by asset class Q1 2019 (vs. Q4 2018)



by rating¹⁾ Q1 2019 (vs. Q4 2018)



As at 31.03.2019 – all figures are nominal amounts

1) Composite Rating

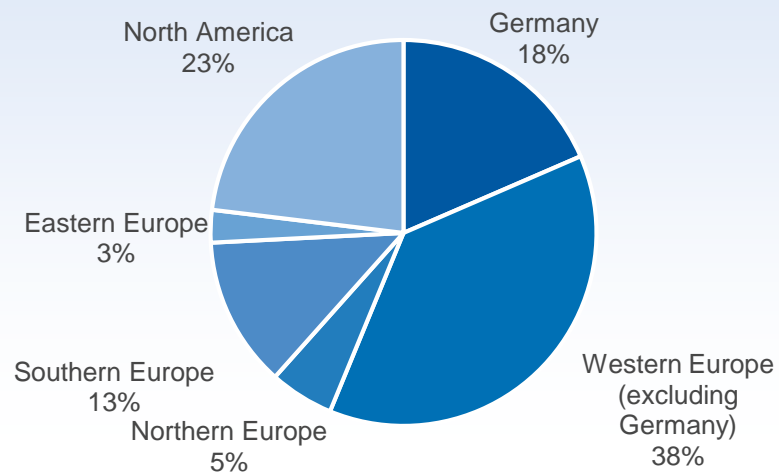
Mortgage Cover Pool

Well diversified regarding Geography and Property Type

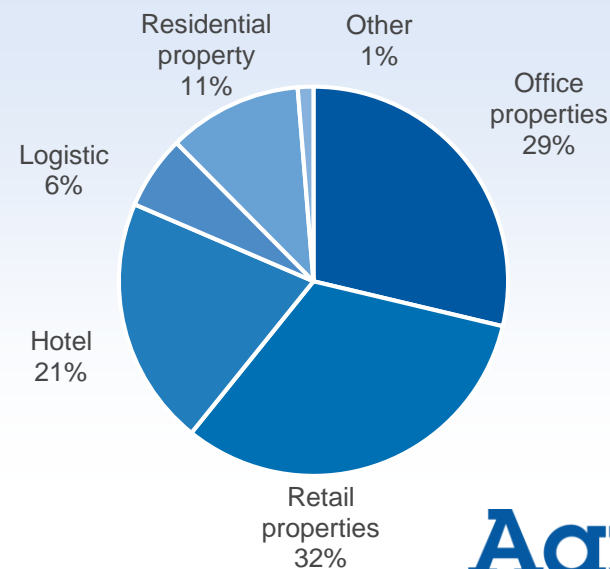
- Cover pool of € 11.8 bn including € 0.7 bn substitute assets diversified over 17 countries
- High quality of assets: first-class mortgage loans (mortgage-lending-value 56.4%)
- Mortgage-lending-value with high discount from market-value
- Ø LTV of the mortgage cover pool 35.6%
- Moody's has calculated a 'Aaa' supporting over-collateralisation ratio of 11.5% on a PV basis
- Over-collateralisation on a PV basis as of 31.03.2019: 14.7%
- High diversification within property types



Cover Pool by Geography



Cover Pool by Property Type





Outlook 2019

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Outlook 2019

Confirmed

Net interest income	▪ € 530 mn - € 560 mn
Derecognition result	▪ € 20 mn - € 40 mn
Allowance for credit losses¹⁾	▪ € 50 mn - € 80 mn
Net commission income	▪ € 225 mn - € 245 mn
Admin expenses	▪ € 470 mn - € 510 mn
Operating profit	▪ € 240 mn - € 280 mn
Pre-tax RoE	▪ 8.5% - 10%
EpS	▪ ~ € 2.40 - € 2.80
Target portfolio size	▪ € 26 bn - € 28 bn
New business origination²⁾	▪ € 7 bn - € 8 bn
Operating profit Aareon³⁾	▪ ~ € 35 mn (~ € 41 mn before strategic investments)



Expected 2019 results on good 2018 (clean) level despite strategic investments, DHB integration costs and the lack of positive 2018 effects from reversal of provisions

1) As in 2018, the bank cannot rule out additional allowances for credit losses

2) Incl. renewals

3) After segment adjustments

Conclusion

Robust business, confirmed targets, successful strategy

Key takeaways



In a challenging environment, Aareal Bank Group started well into the financial year 2019. This shows that our operating business continues to be very robust and our strategy works well.



After a successful start into 2019, Aareal Bank Group confirms its FY targets. We remain confident that we will achieve an operating result on the previous year's level (adjusted for one-off effects).



Aareal Bank Group consistently continues implementing its "Aareal 2020" strategy by focussing on particularly attractive opportunities in the CRE lending business and starting a major digital initiative at its subsidiary Aareon.

Aareon
Investor Seminar
in 2019



Appendix
Group results

Aareal Bank Group

Results Q1 2019

	01.01.- 31.03.2019 € mn	01.01.- 31.03.2018 € mn	Change
Profit and loss account			
Net interest income	135	133	2%
Loss allowance	5	0	
Net commission income	53	50	6%
Net derecognition gain or loss	16	6	167%
Net gain or loss from financial instruments (fvpl)	6	3	100%
Net gain or loss on hedge accounting	0	-2	-100%
Net gain or loss from investments accounted for using the equity method	0		
Administrative expenses	144	128	13%
Net other operating income / expenses	0	5	-100%
Negative goodwill from acquisitions			
Operating Profit	61	67	-9%
Income taxes	21	23	-9%
Consolidated net income	40	44	-9%
Consolidated net income attributable to non-controlling interests	1	1	
Consolidated net income attributable to shareholders of Aareal Bank AG	39	43	-9%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	39	43	-9%
of which: allocated to ordinary shareholders	35	39	-10%
of which: allocated to AT1 investors	4	4	
Earnings per ordinary share (in €) ²⁾	0.59	0.65	-9%
Earnings per ordinary AT1 unit (in €) ³⁾	0.04	0.04	

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

Aareal Bank Group

Results Q1 2019 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.03. 2019	01.01.- 31.03. 2018	01.01.- 31.03. 2019	01.01.- 31.03. 2018	01.01.- 31.03. 2019	01.01.- 31.03. 2018	01.01.- 31.03. 2019	01.01.- 31.03. 2018
€ mn								
Net interest income ¹⁾	138	136	-3	-3	0	0	135	133
Loss allowance	5	0	0	0			5	0
Net commission income ¹⁾	2	1	52	50	-1	-1	53	50
Net derecognition gain or loss	16	6					16	6
Net gain or loss from financial instruments (fvpl)	6	3					6	3
Net gain or loss on hedge accounting	0	-2					0	-2
Net gain or loss from investments accounted for using the equity method			0				0	
Administrative expenses	87	74	58	55	-1	-1	144	128
Net other operating income / expenses	0	5	0	0	0	0	0	5
Negative goodwill from acquisitions								
Operating profit	70	75	-9	-8	0	0	61	67
Income taxes	24	26	-3	-3			21	23
Consolidated net income	46	49	-6	-5	0	0	40	44
Allocation of results								
Cons. net income attributable to non-controlling interests	0	0	1	1			1	1
Cons. net income attributable to shareholders of Aareal Bank AG	46	49	-7	-6	0	0	39	43

1) As of this reporting year, interest on deposits from the housing industry is shown under the net interest income of the Consulting/Services segment (previously included in net commission income). The previous year's figures were adjusted accordingly

Aareal Bank Group

Results – quarter by quarter

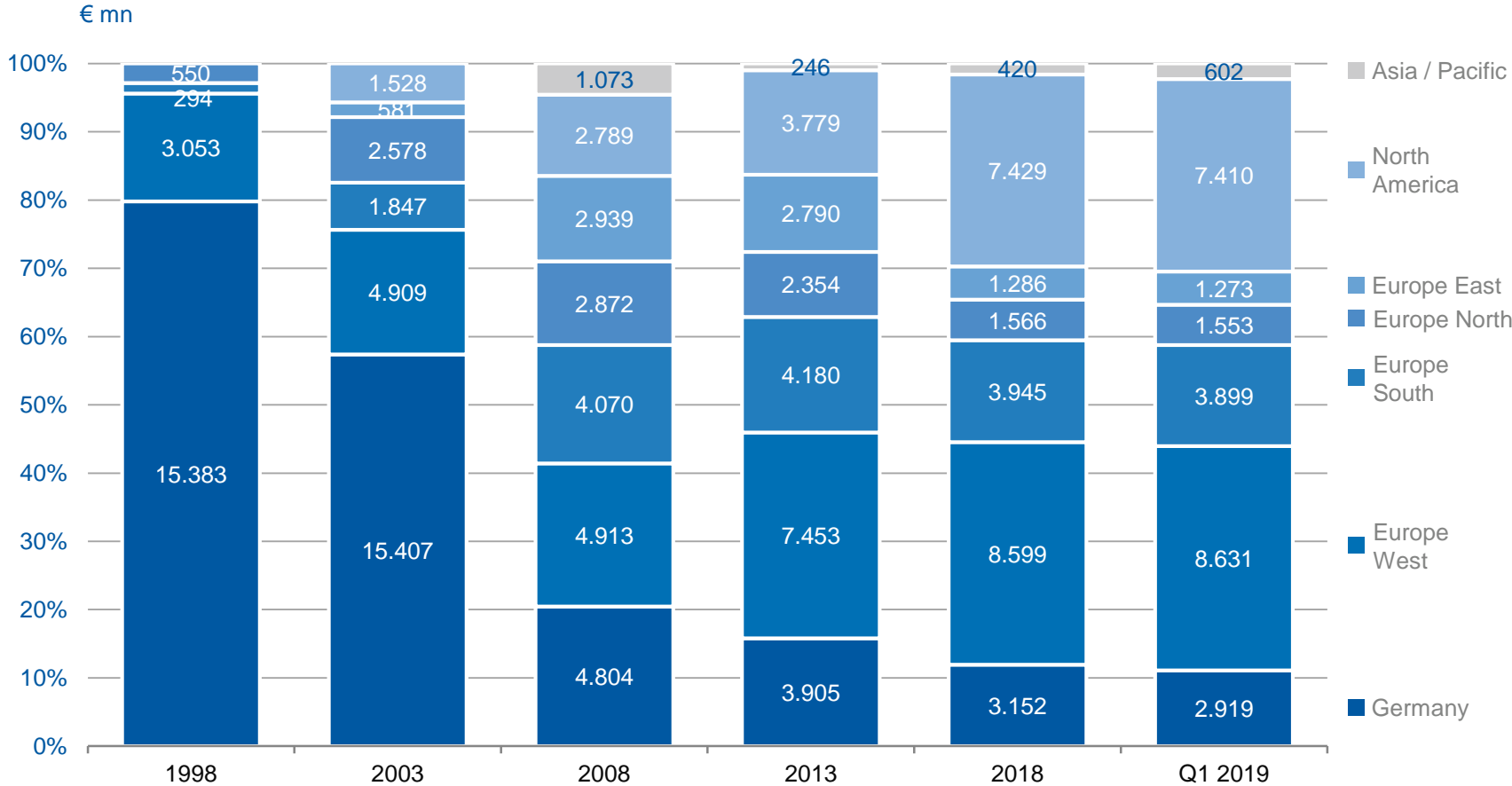
	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
€ mn																				
Net interest income ¹⁾	138	138	134	139	136	-3	-3	-3	-3	-3	0	0	0	0	0	135	135	131	136	133
Loss allowance	5	40	14	19	0	0	-1	0	0	0						5	39	14	19	0
Net commission income ¹⁾	2	3	2	3	1	52	62	51	49	50	-1	-2	-2	-1	-1	53	63	51	51	50
Net derecognition gain or loss	16	8	5	5	6											16	8	5	5	6
Net gain or loss from financial instruments (fvp)	6	-1	0	-4	3	0										6	-1	0	-4	3
Net gain or loss on hedge accounting	0	0	1	-1	-2											0	0	1	-1	-2
Net gain or loss from investments accounted for using the equity method		0				0										0	0			
Administrative expenses	87	59	53	55	74	58	61	56	55	55	-1	-2	-2	-1	-1	144	118	107	109	128
Net other operating income / expenses	0	12	2	2	5	0	2	1	1	0	0	0	0	0	0	0	14	3	3	5
Negative goodwill from acquisitions		55															55			
Operating profit	70	116	77	70	75	-9	1	-7	-8	-8	0	0	0	0	0	61	117	70	62	67
Income taxes	24	22	27	24	26	-3	0	-3	-3	-3						21	22	24	21	23
Consolidated net income	46	94	50	46	49	-6	1	-4	-5	-5	0	0	0	0	0	40	95	46	41	44
Cons. net income attributable to non-controlling interests	0	0	0	0	0	1	0	1	0	1						1	0	1	0	1
Cons. net income attributable to shareholders of Aareal Bank AG	46	94	50	46	49	-7	1	-5	-5	-6	0	0	0	0	0	39	95	45	41	43

1) As of this reporting year, interest on deposits from the housing industry is shown under the net interest income of the Consulting/Services segment (previously included in net commission income). The previous year's figures were adjusted accordingly



Appendix
Commercial real estate finance portfolio

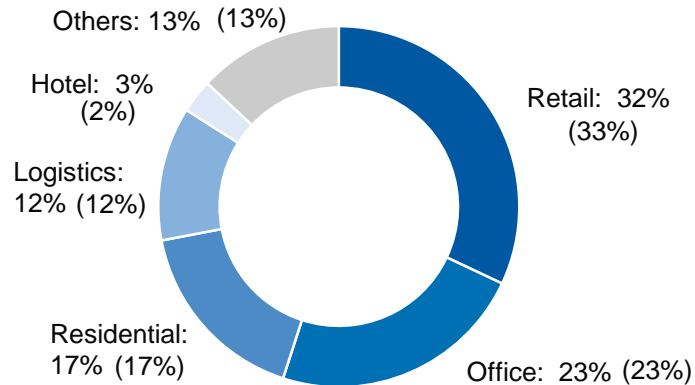
Development commercial real estate finance portfolio



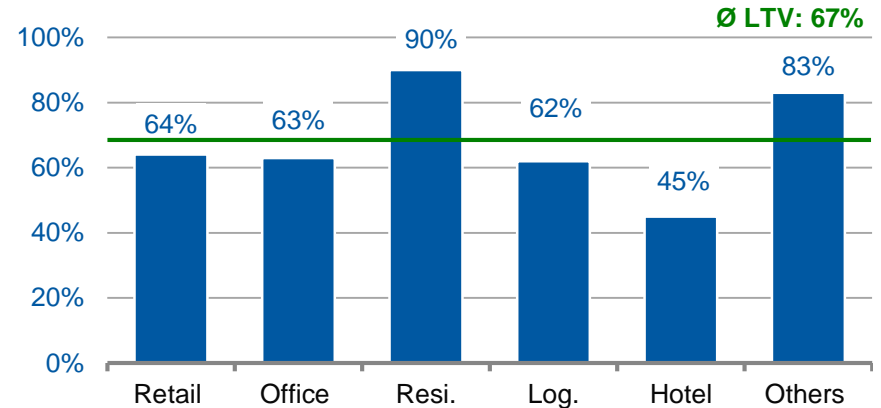
Spotlight: Italian CREF portfolio

€ 2.8 bn (~11% of total portfolio)

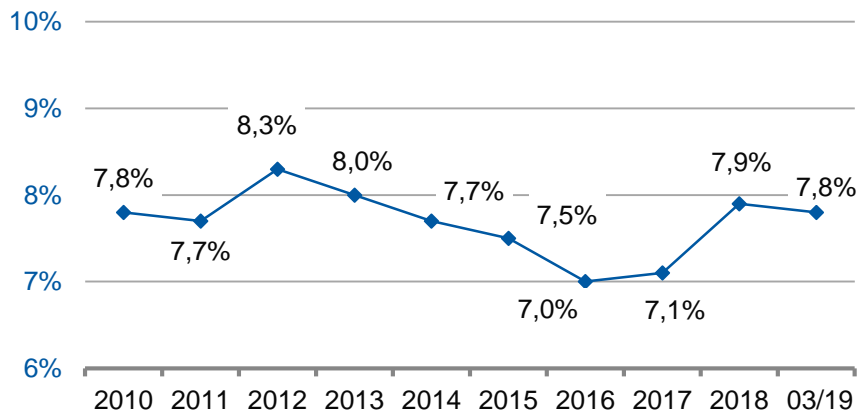
Total portfolio by property type (vs. Q4 2018)



Average LTV by property type¹⁾



Yield on debt¹⁾



1) Performing CREF-portfolio only, exposure as at 31.03.2019

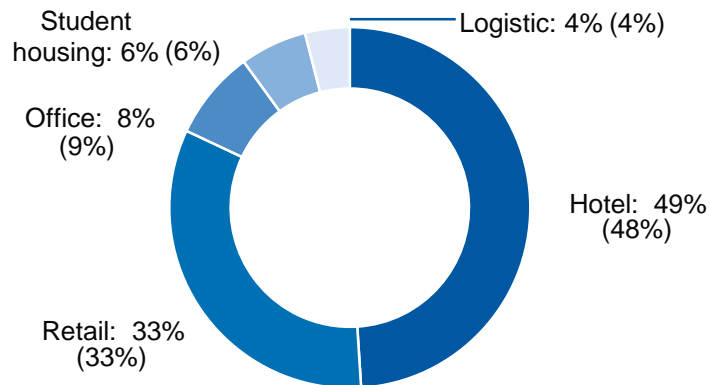
Comments

- Performing:
 - Share of developments financed ~ 5%
 - ~ 50% of total portfolio in Greater Rome or Milan area
 - € 227 mn with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 86%
- Defaulted exposure: € 1,106 mn

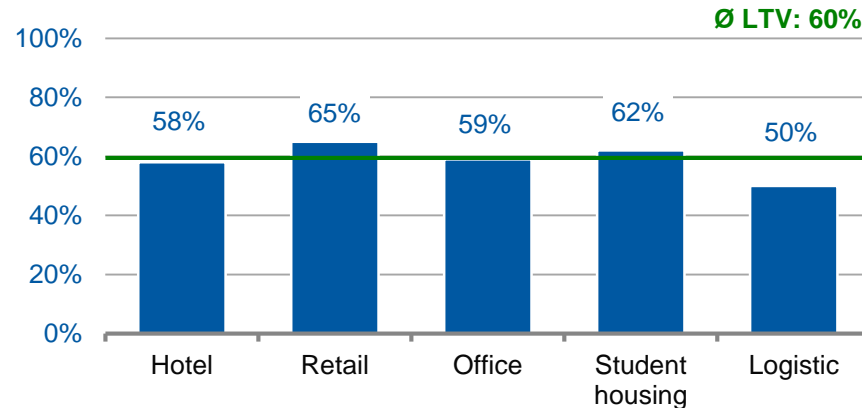
Spotlight: UK CREF portfolio

€ 4.2 bn (~16% of total CREF-portfolio)

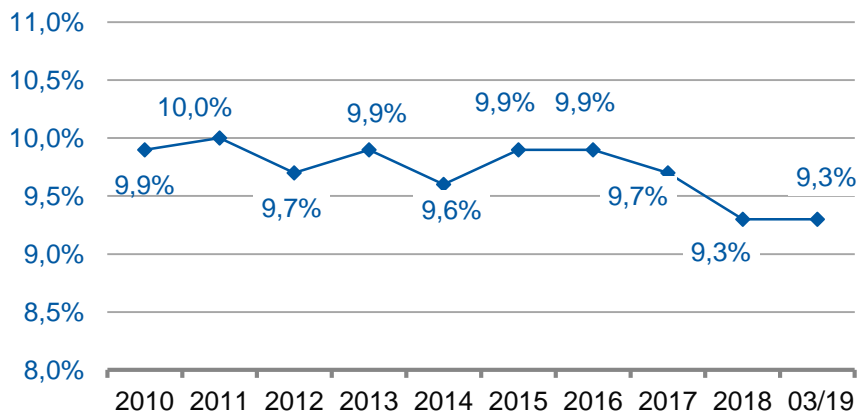
Total portfolio by property type (vs. Q4 2018)



Average LTV by property type¹⁾



Yield on debt



1) Performing CREF-portfolio only, exposure as at 31.03.2019

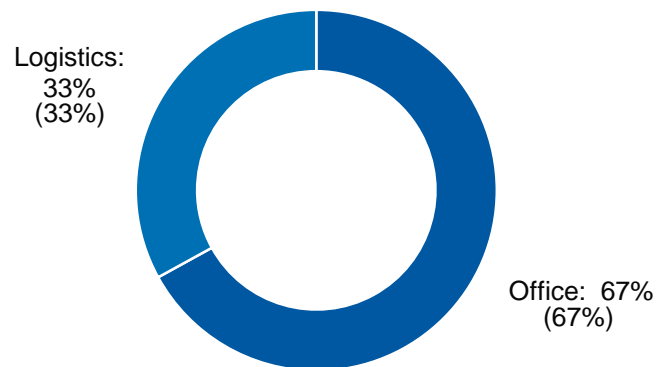
Comments

- Performing:
 - Investment finance only, no developments
 - ~ 60% of total portfolio in Greater London area, emphasising on hotels
 - € 254 mn with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 75%
- No defaulted exposure

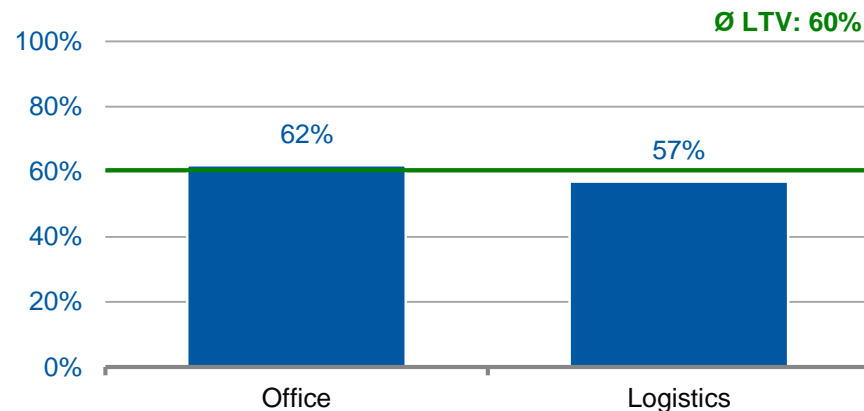
Spotlight: Russian CREF portfolio

€ 0.5 bn (~2% of total CREF portfolio)

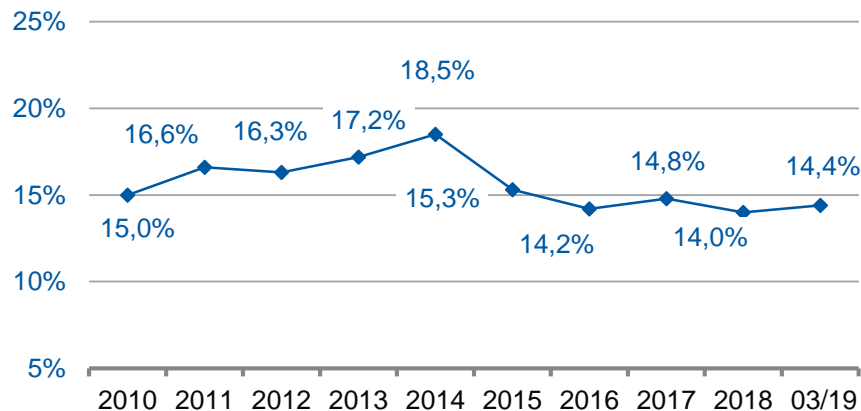
Total portfolio by property type (vs. Q4 2018)



Average LTV by property type¹⁾



Yield on debt



1) Performing CREF-portfolio only, exposure as at 31.03.2019

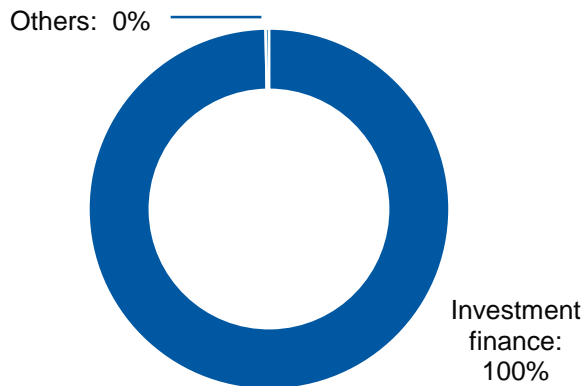
Comments

- Performing:
 - Investment finance only: 2 logistics and 1 office in Moscow
 - € 8 mn with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 75%
- Defaulted exposure: € 11 mn, 1 office in St. Petersburg

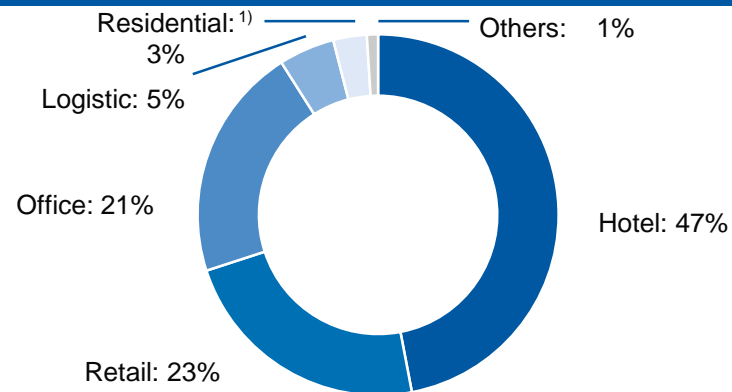
Western Europe (ex Germany) CREF portfolio

Total volume outstanding as at 31.03.2019: € 8.6 bn

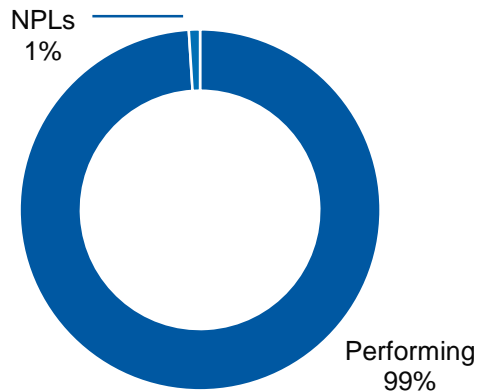
by product type



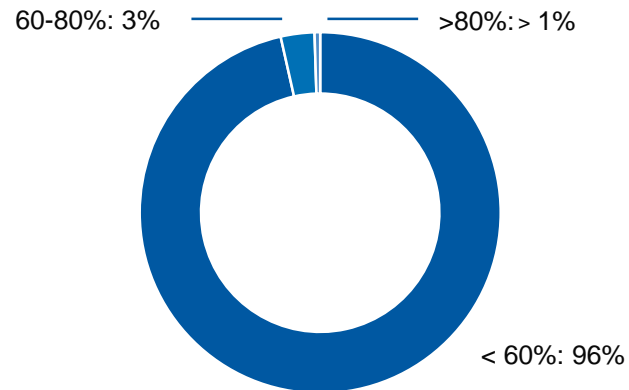
by property type



by performance



by LTV ranges²⁾



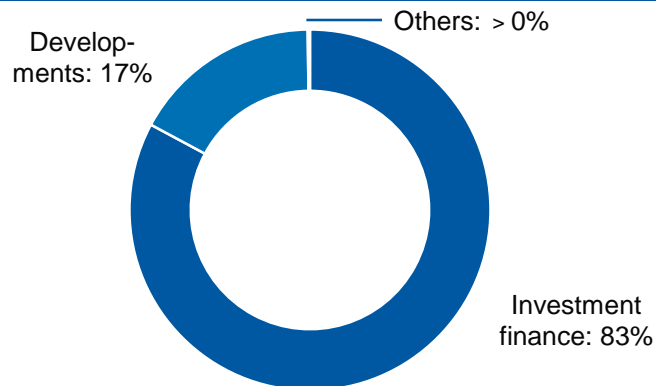
1) Incl. Student housing (UK only)

2) Performing CREF-portfolio only, exposure as at 31.03.2019

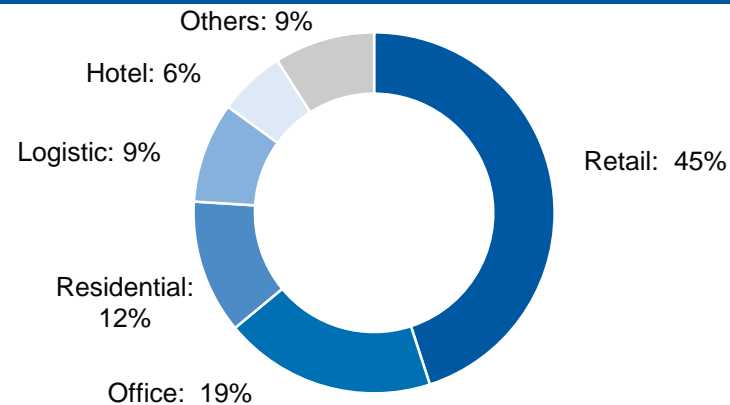
Southern Europe CREF portfolio

Total volume outstanding as at 31.03.2019: € 3.9 bn

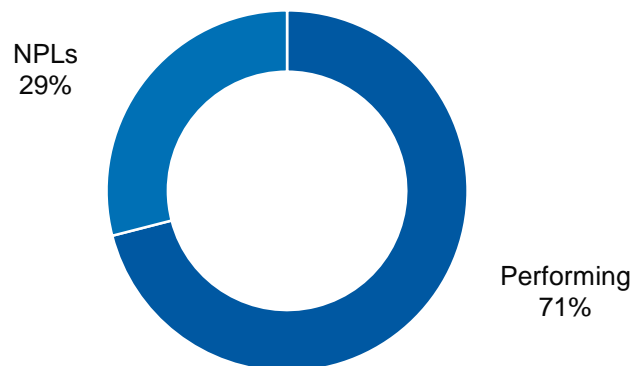
by product type



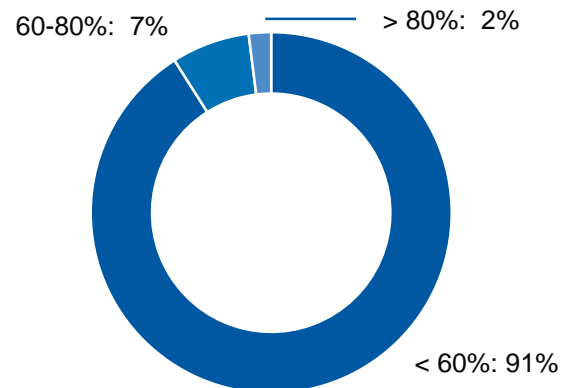
by property type



by performance



by LTV ranges¹⁾

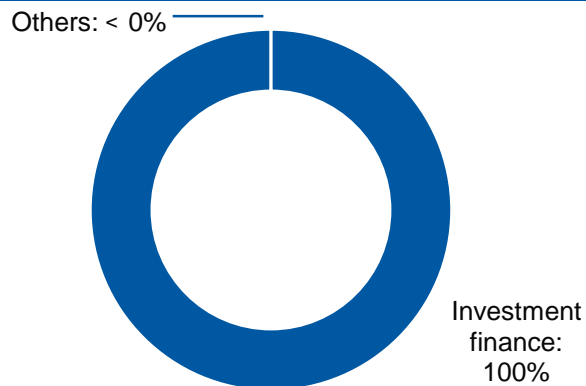


1) Performing CREF-portfolio only, exposure as at 31.03.2019

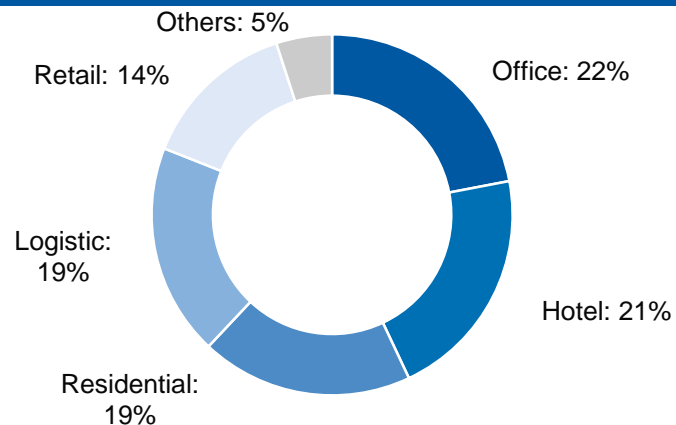
German CREF portfolio

Total volume outstanding as at 31.03.2019: € 2.9 bn

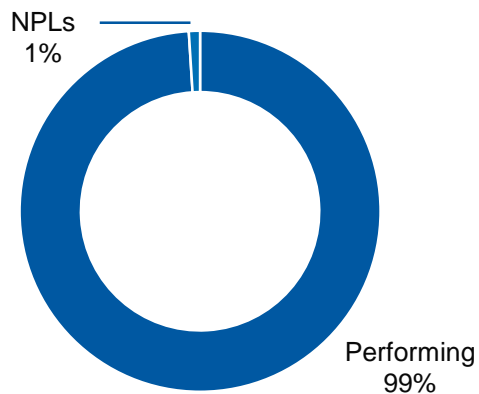
by product type



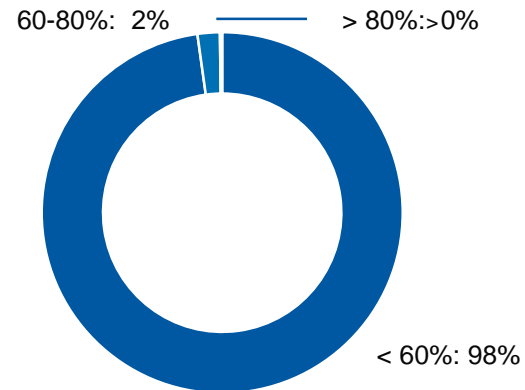
by property type



by performance



by LTV ranges¹⁾

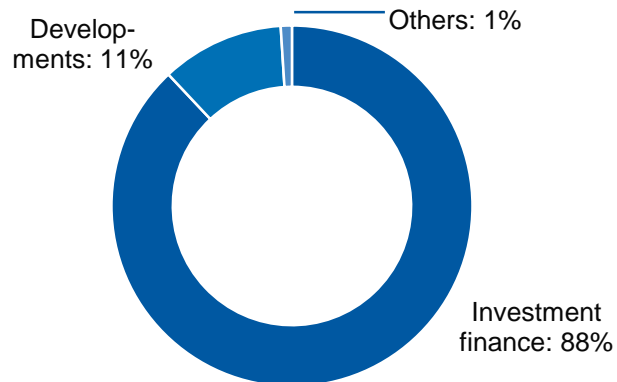


1) Performing CREF-portfolio only, exposure as at 31.03.2019

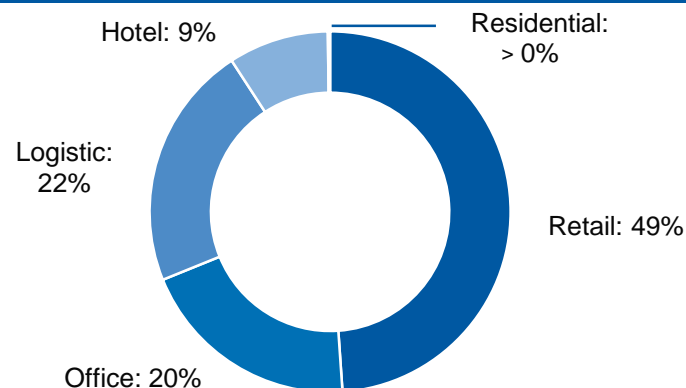
Northern Europe CREF portfolio

Total volume outstanding as at 31.03.2019: € 1.6 bn

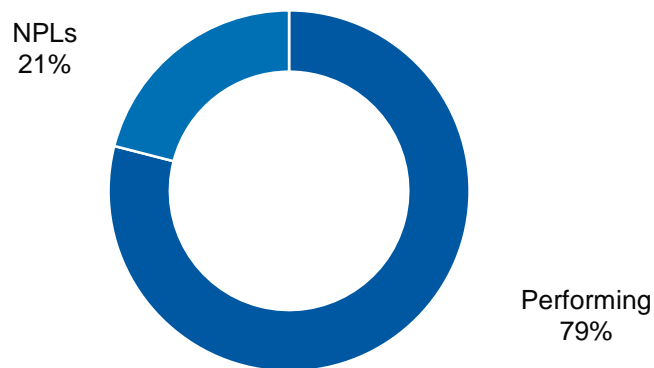
by product type



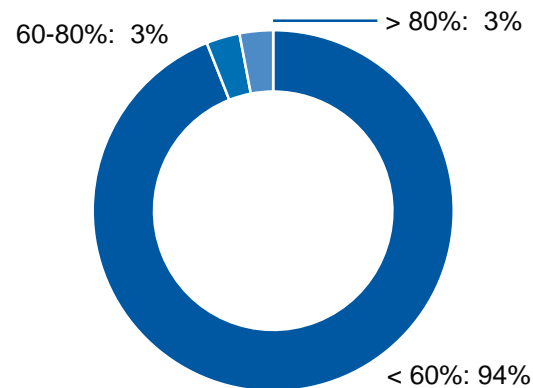
by property type



by performance



by LTV ranges¹⁾



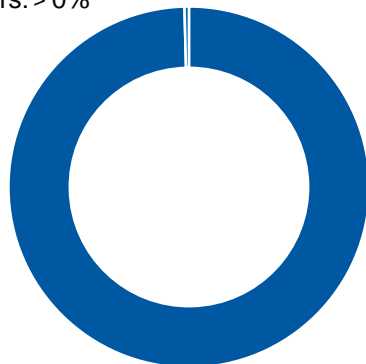
1) Performing CREF-portfolio only, exposure as at 31.03.2019

Eastern Europe CREF portfolio

Total volume outstanding as at 31.03.2019: € 1.3 bn

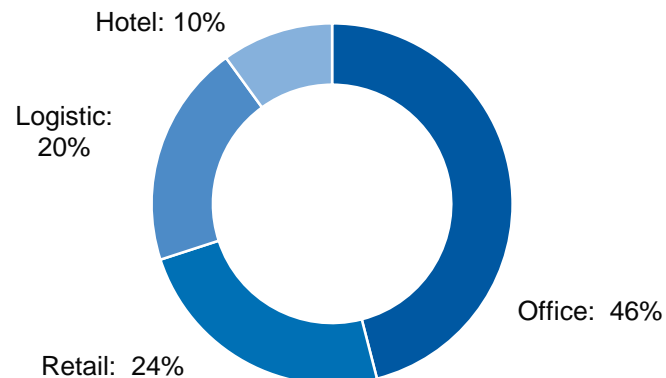
by product type

Others: > 0%



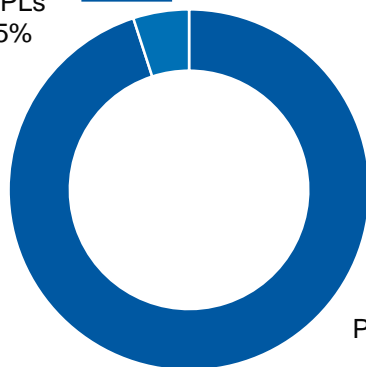
Investment
finance:
100%

by property type



by performance

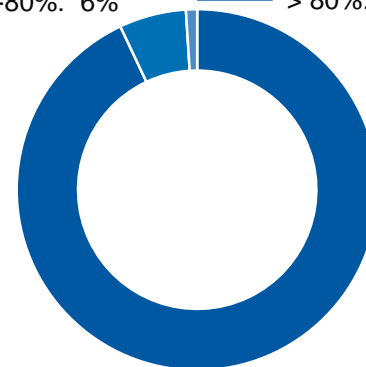
NPLs
5%



Performing
95%

by LTV ranges¹⁾

60-80%: 6% > 80%: >1%



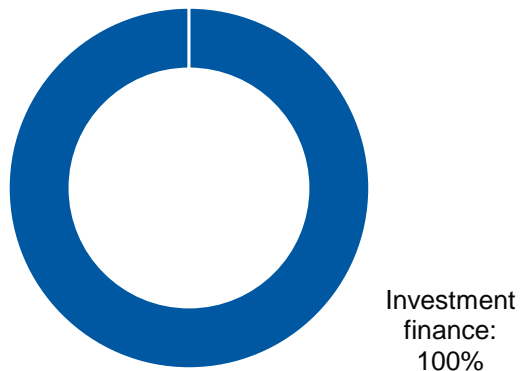
< 60%: 93%

1) Performing CREF-portfolio only, exposure as at 31.03.2019

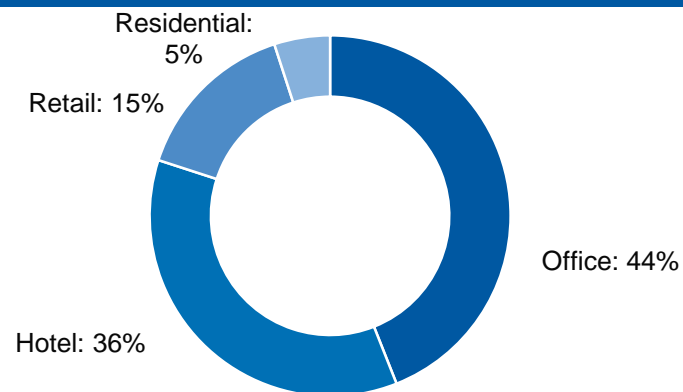
North America CREF portfolio

Total volume outstanding as at 31.03.2019: € 7.4 bn

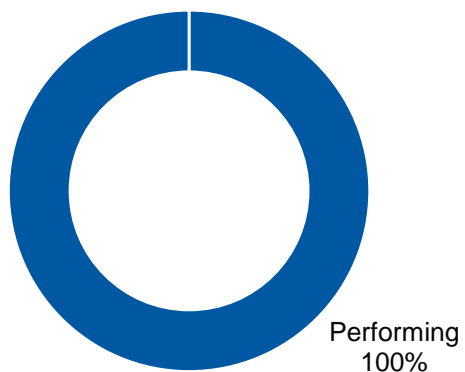
by product type



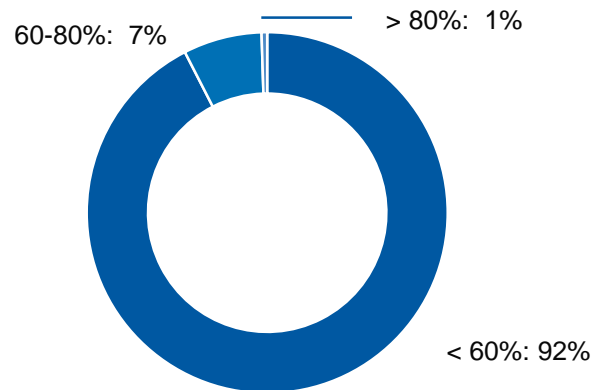
by property type



by performance



by LTV ranges¹⁾

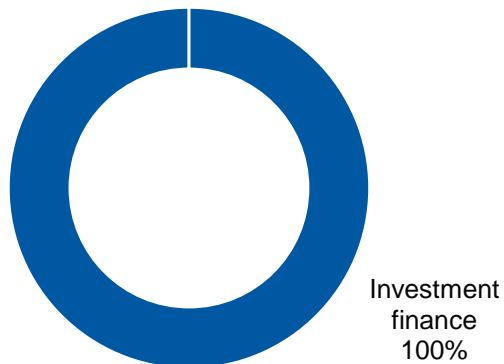


1) Performing CREF-portfolio only, exposure as at 31.03.2019

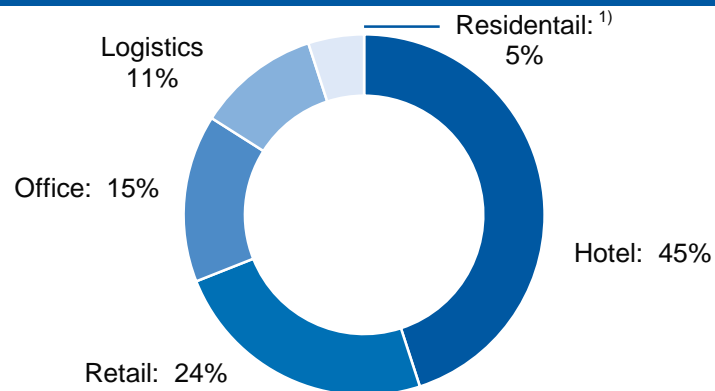
Asia / Pacific CREF portfolio

Total volume outstanding as at 31.03.2019: € 0.6 bn

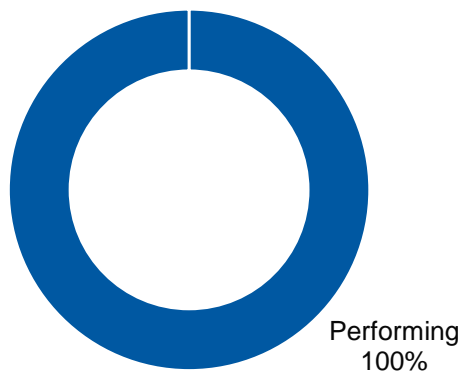
by product type



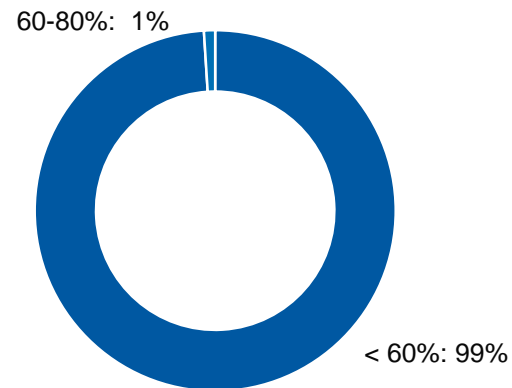
by property type



by performance



by LTV ranges²⁾



1) Incl. Student housing (Australia only)

2) Performing CREF-portfolio only, exposure as at 31.03.2019



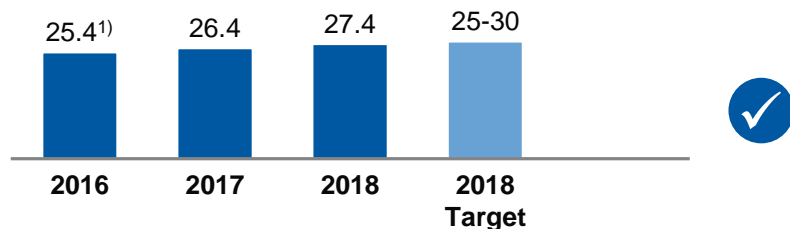
Appendix
Strategic outlook

Aareal 2020

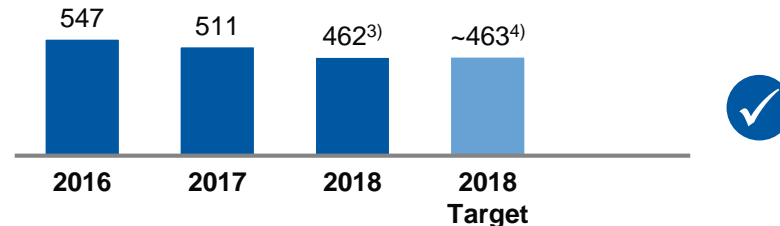
Well on track

■ Actuals ■ Targets

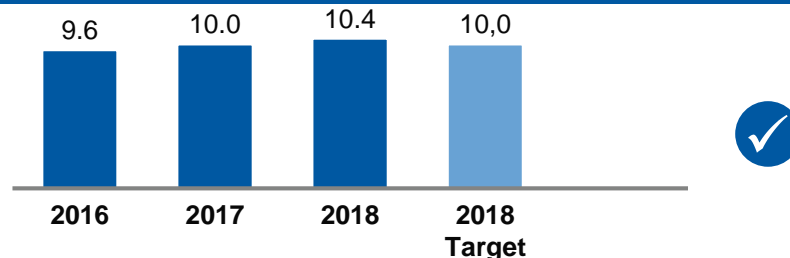
REF Portfolio (€ bn)



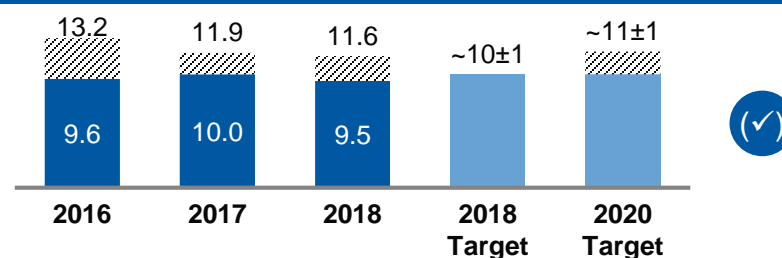
Administrative Expenses (€ mn)



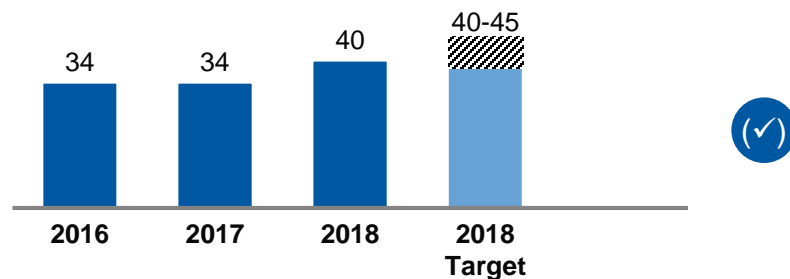
Housing Industry Deposits (€ bn)



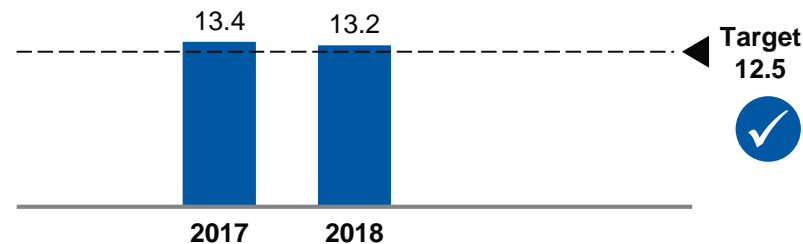
Pre-Tax RoE⁵⁾ (%)



Aareon EBIT²⁾ (€ mn)



CET 1 Ratio Basel IV expected (%)



1) Core portfolio excl. Coreal and WestImmo
 2) 2018 EBIT excl. one offs (reported EBIT € 36 mn)
 3) Incl. € 13 mn additional expenses after Aareon M&A, € 19 mn transformation costs and € 19 mn reversal of provisions

4) Incl. € 13 mn additional expenses after Aareon M&A
 5) Reported and excl. one-offs / negative goodwill, targets before employment of excess capital

Aareal 2020

Three areas of particular focus 2019 and going forward

Aareal 2020 as of today

- Aareal 2020 was designed already in 2016 to provide for **higher stability, efficiency and flexibility** in an increasingly changing environment
- **We have executed** – hence our business model today has **inherent optionalities** enabling us to **act adequately**

Three areas of particular focus:

A CRE

Fine-tuning of our strategic positioning as a result of (i) sluggish growth and transaction volumes, as well as (ii) regulatory changes

B Regulatory capital

Anticipation and implementation of regulatory changes – coming from a strong basis
– Flashlight on future ECB NPL guidelines and IFRS 9 stage 2 sensitivity

C Aareon

Where we are today

Where we will go

How we will achieve

Strengthening of capital-light / commission income business:










- European No 1 ERP provider¹⁾; sustainable client base; digital products successfully established
- Accelerate growth by pushing the digital business further
- Increased R&D spend for iterative organic development; supported by selective M&A

Aareon
Investor Seminar
in 2019

1) For the institutional housing industry

Preface: Outlook 2019

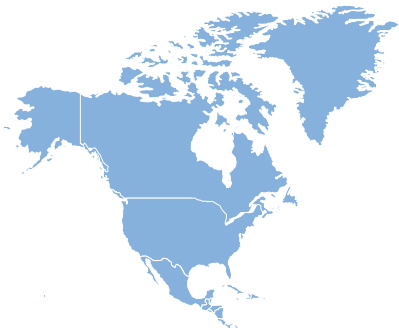
Environmental change due to new uncertainties and increasing volatility

	Outlook 2018 (last year)	Outlook 2019 (today)
GDP dynamics		 Slowdown of growth in key regions
Interest rates		 Rather stable interest environment
Funding costs		 Secondary trading on higher credit spreads
Brexit	“One year ahead”	 “Hard Brexit” as relevant option
Italy		 High political and fiscal uncertainty
Regulatory requirements (Aareal)	Basel IV anticipated	TRIM, EBA, NPL-Guidelines anticipated

A CRE: Continuing selective new business focus

Strong transaction volumes losing momentum in 2019 – slowing business cycle

North America



Economy still supportive – CRE cycle plateauing on high level

- Economic growth moderating
- CRE cycle plateauing
- Transaction volumes strong in 2018, expecting decrease in 2019

Europe



Peaking CRE cycle amid economic slowdown

- Economic growth slows down
- CRE cycle start to peak
- Downward trend in transaction volumes after four exceptional years
- Cross-border investment high

Asia Pacific



Economic and CRE slowdown – cross-border investment strong

- Economic growth slows down
- Rental growth stagnating
- Transaction volumes down in 2019
- Cross-border upward trend, especially US

Aareal positioning

- Having capabilities to rotate the portfolio composition to geographies and asset classes considered most attractive; managing the new business volumes reflecting regulatory capital and NPL environment.

B Regulatory capital

What is known today: Future implications on capital anticipated...

Regulation on capital...	...in regulatory figures reflected	...considered in strategic planning
Basel IV (estimated) <ul style="list-style-type: none"> AIRBA CRSA 	✓	✓
TRIM-effects (estimated) <ul style="list-style-type: none"> Basel III Basel IV 	✓	✓
Prudential provisioning (NPL-Guideline) <ul style="list-style-type: none"> Stock Future NPL 	✓ (pro rata) (not effective in 2018)	✓
IFRS 9	✓	✓

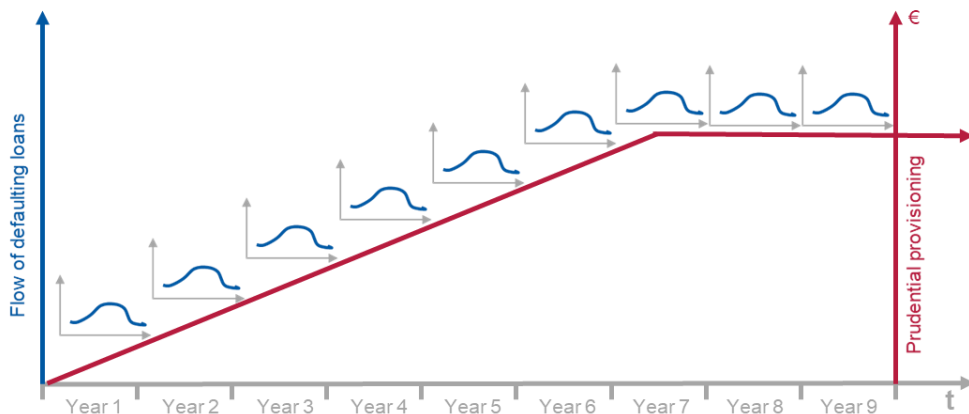
Strong capital position

Strong capital position
but
slower (excess) capital growth

B Regulatory capital

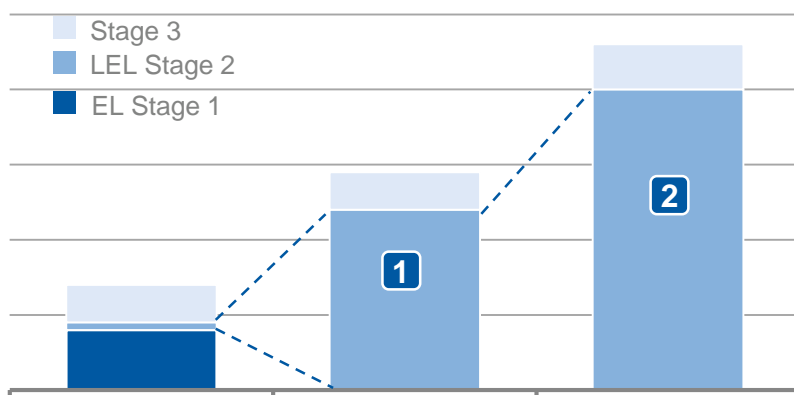
What may come: future NPL regulatory provisioning

Buffersize for regulatory provisioning of future NPL's may vary



- What:** Anticipating impact of ECB guidelines of risk provisioning for future NPL
- How:** 6 years pro rata build-up of buffer for regulatory required prudential provisioning depending on PD/LGD/fc period
- Impact:** Recognition in regulatory capital; slower growth of (excess) capital but already fully reflected in capital planning
- Dimension:** € 200 mn - € 300 mn

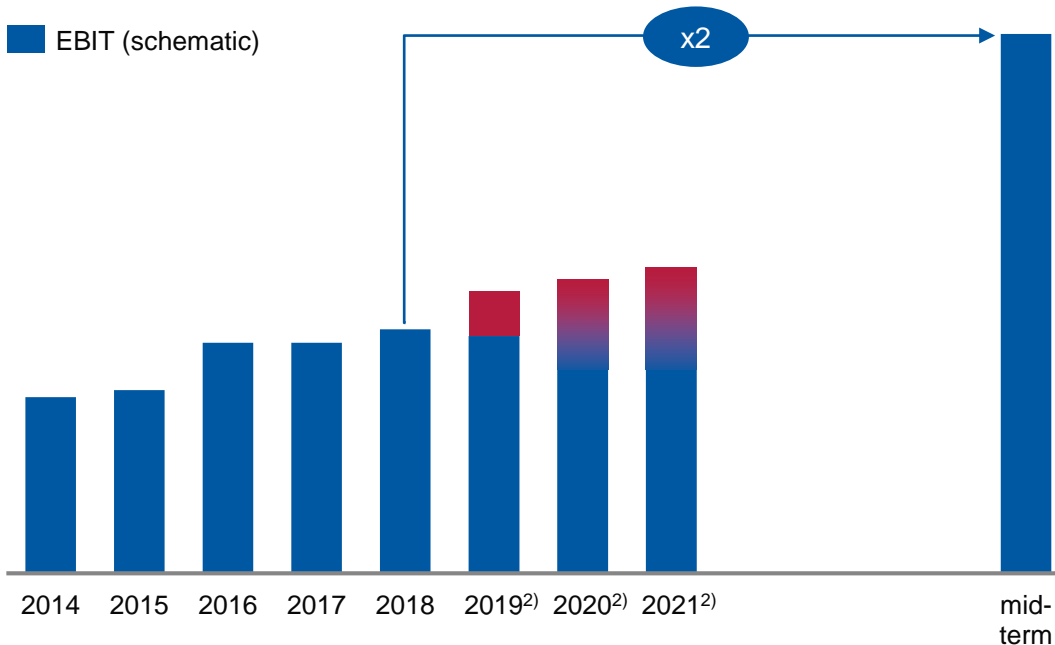
Modelling theoretical maximum of IFRS 9 Stage 2 sensitivity (CREF business)



- What:** IFRS 9 Stage 2 maximum shift, LLP dimension depending on rating development
- How:**
- 1**: Modelling an (unrealistic) theoretical case of 100% loan volume migrating to stage 2
 - 2**: Additional shift of 1-2 rating classes
- Impact:** Recognition in P/L
- Dimension:** Even in the absolute extreme scenario "only" € 150 – 200 mn additional LLPs would be required, hence all potential macro downturn scenarios digestible by Aareal's strong profit generation capacity

C Aareon

Pushing digital business to accelerate growth – self-funded from underlying operational growth



1) For the institutional housing industry
2) EBIT pre and after impact from new Digital Business

Phase 1

- European No. 1 ERP provider building on a stable client base, migration from GES to Wodis Sigma completed

Phase 2




- Implementing ERP-near digital solutions to support the housing industry in their digitization strategy

Phase 3

- Push digital business by increased R&D budget and opportunistic M&A
- Keep ERP as a stable anchor
- Increase consulting efficiency

C Aareon

Pushing digital business to accelerate growth

Areas of growth	Revenue growth potential	Expected CAGR
<p>Accelerated growth by pushing Digital Business</p> <ul style="list-style-type: none"> ▪ Further development of ERP-near digital solutions ▪ Business driven by new technologies (VR, AR, IoT) ▪ Innovation from ventures ▪ SaaS, licence, consulting 		<p>20-25%</p>
<p>ERP Business</p> <ul style="list-style-type: none"> ▪ Strong and stable client base ▪ Slower but steady growth ▪ Stable margin ▪ SaaS, licence, consulting 		<p>1-2%</p>
<p>Consulting (mainly for Digital and ERP Business)</p> <ul style="list-style-type: none"> ▪ Extension strictly linked to growth areas ▪ Expand green consulting service and web-based solutions ▪ Continuous focus on profitability 		<p>5%</p>

C Aareon Pushing digital business to accelerate growth

Key parameters

- Aareon will build on:
 - **Home Market** – Digital business with our current ERP client base
 - **Corresponding Markets** – Digital services for clients from industries with potential beyond housing / with similar processes
 - **Start-ups and Ventures** – Creating new digital solutions
- **R&D spend up** temporarily from 16% to ~25% of Aareon revenues (excl. Consulting) to support Phase 3
- **Digital initiative will be self-funded** from Aareon's underlying operational growth
- **EBIT** expected to remain above **levels higher than € 30 mn** throughout investment period
- First digital initiatives already started, leveraging the ERP client base
- Parallel to digital initiatives **Aareon will maintain its underlying growth plan**

Conclusion

Strategy 2020 remains valid; business model provides for inherent optionalities to achieve mid-term $\geq 12\%$ RoE target



We have prepared ourselves well and built up numerous optionalities

- ✓ Strong market position in our business segments
- ✓ Strong capital and funding base...
- ✓ ...and P&L power to support growth in relevant areas



We react adequately on environmental changes – hence focus in 2019 will be on

- Safeguarding our backbone SPF
- ↻ Self-funded growth of digital business...
- ↗ ...thereby increasing share of equity-light commission income...



... preparing to achieve our mid-term („2020 plus“) $\geq 12\%$ RoE target even in a continuously low interest rate environment

▶ We will continue reviewing our strategy and optionalities – and react if and when we deem appropriate



Appendix
Dividend policy

Dividend policy¹⁾

Confirmed

Base dividend

We intend to distribute **approx. 50% of the earnings per ordinary share (EpS)** as base dividend

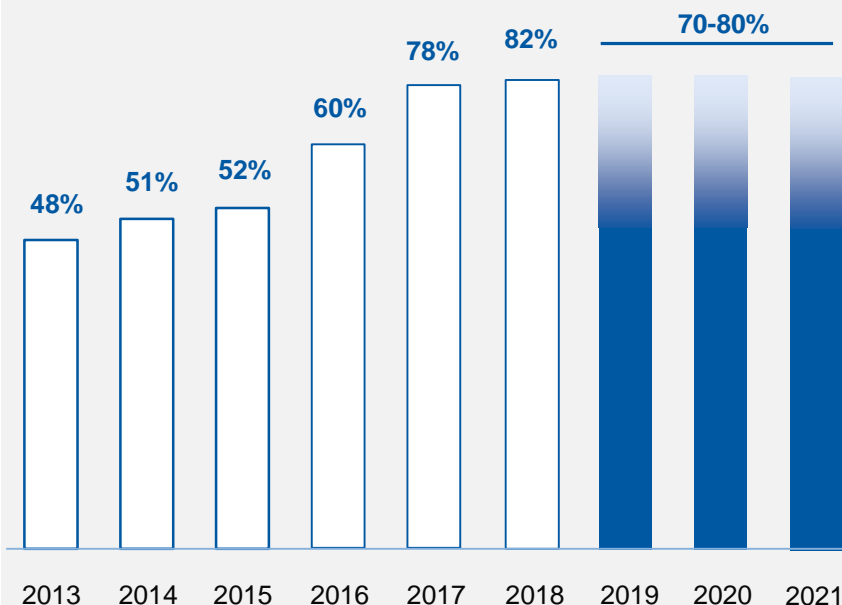
Supplementary dividend

In addition, we plan to distribute **supplementary dividends, started in 2016 with 10% increasing up to 20-30% of the EpS**

Prerequisites:

- No material deterioration of the environment (with longer-term and sustainably negative effects)
- Neither attractive investment opportunities nor positive growth environment

Payout ratio 2013 - 2021



1) The future dividend policy applies provided that the dividend payments resulting from it are consistent with a long-term and sustained business development of Aareal Bank AG. In addition, the dividend payments are subject to the proviso that corresponding dividend proposals have been made by the Management Board and the Supervisory Board for the respective year.

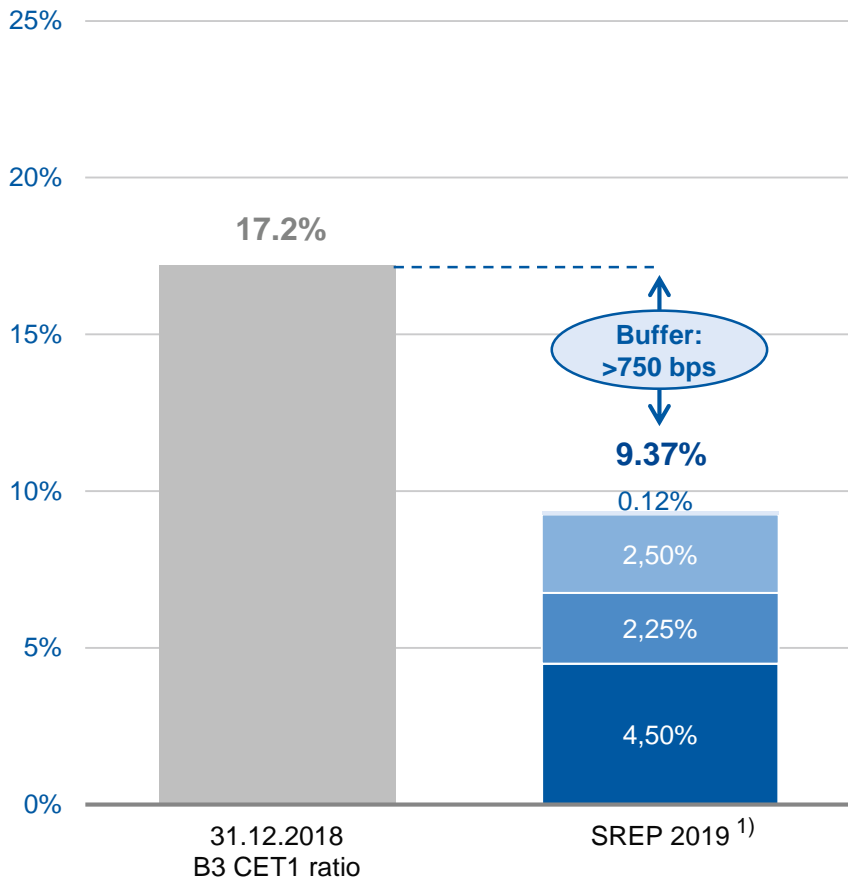


Appendix
SREP

SREP (CET 1) requirements

Demonstrating conservative and sustainable business model

B3 CET1 ratio vs. SREP (CET1) requirements



- Corresponding total capital requirement 2019 (Overall Capital Requirement (OCR) incl. buffers) amounts to 12.87%
- As of 31. December 2018 total capital ratio amounts to 26.2% and includes TRIM effects and prudential provisioning

- Countercyclical Buffer
- Capital Conservation Buffer
- Pillar 2 Requirement
- Pillar 1 Requirement

1) SREP-CET1 Requirements incl. buffers (Capital Conservation and Countercyclical)

Appendix

AT1: ADI of Aareal Bank AG

Interest payments and ADI of Aareal Bank AG

Available Distributable Items (as of end of the relevant year)

	31.12. 2014	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018
€ mn					
Net Retained Profit	77	99	122	147	126
▪ <i>Net income</i>	77	99	122	147	126
▪ <i>Profit carried forward from previous year</i>	-	-	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-	-
+ Other revenue reserves after net income attribution	715	720	720	720	720
= Total dividend potential before amount blocked ¹⁾	792	819	842	870	846
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	240	287	235	283	268
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	-	-	28	35	42
= Available Distributable Items ¹⁾	552	532	579	552	536
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	57	46	46	32	24
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments ¹⁾	609	578	625	584	560

1) Unaudited figures for information purposes only



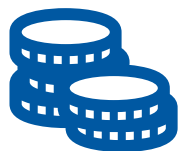
Appendix
Sustainability Performance

Aareal Bank Group

Stands for solidity, reliability and predictability

Doing business sustainably

Development of Return on Equity¹⁾ demonstrates financial strength



16.7% Common Equity Tier 1 ratio²⁾, significantly exceeding the statutory requirements



€ 27.3 bn Valuable Real Estate Finance Portfolio³⁾



Digital solutions boost our client's sustainability records



Above average results in sustainability ratings



Covered Bonds⁴⁾ with best possible ratings – also attractive from an ESG point of view⁵⁾

MOODY'S INVESTORS SERVICE



Aareal Bank awarded as top employer for the 11th time in succession



Preparations for future disclosure requirements (EU Action Plan)



1) Pre-tax RoE of 11.6% as at 31.12.2018

2) Basel 3, as at 31.03.2019

3) REF-portfolio includes private client business (€ 0.5 bn) and WIB's public sector loans (€ 0.4 bn), as at 31.03.2019

4) Mortgage Pfandbriefe rated Aaa by Moody's

5) imug classified mortgage Pfandbriefe as recommendable investments with regard to ESG aspects (BBB), without DHB

Sustainability data

Extends the financial depiction of the Group

Key takeaways at a glance



Transparent Reporting – facilitating informed investment decisions

- “COMBINED SEPARATE NON-FINANCIAL REPORT 2018 FOR AAREAL BANK AG” and SUSTAINABILITY REPORT 2018 “SETTING MILESTONES. CREATING PROSPECTS.” has been published on March 28, 2019
- PwC performed a limited assurance review



Sustainability Ratings – confirming the company’s sustainability performance

MSCI	Aareal Bank Group with “AA Rating” in highest scoring range for all companies assessed relative to global peers reg. Corporate Governance practices [as per 01/2018]
ISS-oekom	Aareal Bank Group holds “prime status”, ranking among the leaders in its industry [since 2012]
Sustainalytics	Aareal Bank Group was classified as “outperformer”, ranking among the best 17% of its industry [as per 02/2017]
CDP	Aareal Bank AG has received a score of B- which is within the Management band. This is equal to the General average of B- and equal to the Europe regional average of B-. [Report 2018]
imug	Aareal Bank was rated “positive BB” in the category “Issuer Performance”; the second best result of all 60 rated Banks [as per 05/2018]



Definitions and contacts

Definitions

- **New Business** = Newly acquired business + renewals
- **Common Equity Tier 1 ratio** =
$$\frac{\text{CET1}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit ./. income/loss attributable to non-controlling interests ./. AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **CIR** =
$$\frac{\text{Admin expenses}}{\text{Net income}}$$
- **Net income** = net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
- **Net stable funding ratio** =
$$\frac{\text{Available stable funding}}{\text{Required stable funding}}$$
- **Liquidity coverage ratio** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$$
- **Earnings per share** =
$$\frac{\text{operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. net AT1 coupon}}{\text{Number of ordinary shares}}$$
- **Yield on Debt** =
$$\frac{\text{Net operating income (NOI) x 100}}{\text{Current commitment incl. prior / pari-passu loans}}$$
- **CREF-portfolio** = Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
- **REF-portfolio** = Real estate finance portfolio incl. private client business and WIB's public sector loans

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- ◆ Homepage <http://www.aareal-bank.com>
 - ◆ Bloomberg Equity: ARL GR, Bond: AARB
 - ◆ Reuters ARLG.F
 - ◆ Deutsche Börse ARL

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